

*Government that Works!*

**NEW JERSEY DEPARTMENT OF THE TREASURY**

**LOCAL GOVERNMENT BUDGET REVIEW**

**CITY OF PATERSON**

**CHRISTINE TODD WHITMAN**  
*Governor*

**JAMES A. DIELEUTERIO, JR.**  
*Treasurer*

**JANE M. KENNY**  
*Commissioner*  
*Department of Community Affairs*

**JANUARY 1999**



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### *The report of the City of Paterson*

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making State Government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman taking office in 1994, the State had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR utilizes an innovative approach combining the expertise of professionals primarily from the Departments of Treasury, Community Affairs and Education with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service at no cost by the State. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams will also document those State regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the Review Team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the Review Team, and agree to an open public presentation and discussion of the Review Team's findings and recommendations.

As part of the review of the City of Paterson, team members interviewed each elected official, as well as employees, appointees, members of the public, and contractors. The Review Team examined current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the community. The Review Team physically visited and observed the work procedures and operations throughout the municipal government to observe employees in the performance of their duties.

In general, the Review Team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness on the part of most to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality, but do represent cost of the community's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the community an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
CITY OF PATERSON**

**A. Clerk**

The city could eliminate one-half of the telephone work by installing a voice mail system. The savings would be approximately \$48,600, or the cost of 1.4 secretaries. The cost of the automated system is estimated to be \$1,620.

**B. Finance**

By obtaining competitive rates, the city could increase interest earnings up to \$195,464 per year.

**C. Purchasing**

Streamlining purchasing procedures could yield a productivity enhancement of \$70,000. An upgrade of the financial package is estimated to cost approximately \$20,000.

**D. Labor Contracts**

Suggested changes to the city's labor contract provisions could result in significant savings of approximately \$3,787,730.

We strongly believe that it would be in the city's best interest to employ a professional labor attorney at an estimated cost of \$200,000.

**E. Insurance**

A variety of health plan cost savings initiatives would yield an estimated savings of \$1,548,275 - \$2,193,901. In addition, we suggest the city employ a professional risk manager at an estimated cost of \$65,000.

**F. Legal**

A restructuring of the legal staff is suggested which could result in approximately \$77,891 in savings to the city.

**G. Public Safety**

Increased service rates and fees and changes in the inspection function could result in approximately \$121,758 - \$196,758 in savings.

**H. Police**

Re-organization, enhanced productivity and changes in the administration of extra duty assignments are estimated to produce a net savings of \$2,174,802 - \$2,774,802.

**I. Fire**

Recommendations regarding re-organization, recalculation of fire leave time and training are valued at \$1,713,000.

**J. EMS**

The city should competitively contract for ambulance and ambulance billing services for a savings of approximately \$846,247.

**K. Municipal Court**

Staff salary increases suggested to maintain trained staff are valued at \$105,000.

The addition of two court sessions is estimated to yield additional revenue of \$198,681 and productivity enhancements of \$115,561 at a cost of \$93,000. Additional one-time revenue from the elimination of backlogged cases would be approximately \$346,458.

**L. Library**

We suggest that the city merge the director and business manager positions for a savings of \$28,000 in salary and benefits.

**M. Recreation**

The institution of fees for users could yield at least \$28,000 in annual revenue.

**N. Health**

The city should consider increasing the division's work week to 35 hours and reducing staff for a productivity enhancement of \$84,153 and a savings of \$39,632. We also recommend the city consider increasing its licensing fees for a revenue enhancement of \$83,000.

**O. Rent Control**

We suggest the city should reduce the size of the board from thirteen to seven members for a compensation savings of \$6,575. We further recommend that the city attorney who represents the board do so as part of his duties and not for additional compensation for an additional savings of \$6,000.

**P. Community Development**

Imposition of fines to adequately cover costs associated with inspections and an increase in inspection staff could result in net revenue of \$152,500.

**Q. Public Works**

The team has suggested a number of items for the city's consideration from changes in sewer charges to enhancing the recycling rate which are valued at an estimated \$4,979,563.

## TABLE OF CONTENTS

<b>COMMUNITY OVERVIEW .....</b>	<b>1</b>
<b>I. BEST PRACTICES.....</b>	<b>2</b>
<b>II. OPPORTUNITIES FOR CHANGE/FINDINGS &amp; RECOMMENDATIONS.....</b>	<b>3</b>
GOVERNING BODY.....	3
ADMINISTRATION .....	3
CLERK.....	3
FINANCE.....	5
PURCHASING.....	11
INTERNAL AUDIT .....	14
COMPUTERS .....	14
PERSONNEL .....	16
LABOR CONTRACTS.....	18
INSURANCE .....	23
LEGAL.....	27
PUBLIC SAFETY .....	31
POLICE.....	34
FIRE.....	42
EMERGENCY MEDICAL SERVICES (EMS) .....	48
COURT .....	50
LIBRARY.....	53
RECREATION .....	58
HEALTH.....	58
WELFARE .....	62
RENT CONTROL .....	63
COMMUNITY DEVELOPMENT.....	63
PUBLIC WORKS.....	69
PARKING AUTHORITY .....	78
MUNICIPAL UTILITY AUTHORITY.....	78
<b>III. STATUTORY AND REGULATORY REFORM.....</b>	<b>79</b>

## COMMUNITY OVERVIEW

According to the 1990 census, the City of Paterson is a community of approximately 140,000 residents making it the third largest city in the state. It is a diverse community with a population comprised of approximately 25% white, 33% African-American and 41% Hispanic residents. Its median income is \$30,145.

It encompasses 8.3 square miles, is located on the Passaic River in Passaic County and is the county seat of Passaic County. It has easy access to Interstate Route 80 and is about twelve miles from the George Washington Bridge and New York City. It is part of the major business and industrial concentration in northern New Jersey that makes up a large segment of the New York City metropolitan area.

The city was founded in 1791 by Alexander Hamilton and was the first planned Industrial City in the country. It was known for its textile manufacturing, particularly silks and other fabrics. Paterson is a state designated Urban Enterprise Zone community offering 3% sales tax on purchases made within the zone.

The community is fortunate to have a wide variety of educational and cultural facilities such as the Passaic County Community College, the Free Public Library, the Paterson Museum, Lambert Castle, the Dey Mansion, the Great Falls Historic District and the Garret Mountain Reservation.

The city has approximately 1,600 employees involved in daily municipal operations. The city operates under a Mayor-Council form of government with nine city council members, one from each of six wards and three elected at-large. The governmental structure includes seven departments including Administration, Finance, Law, Public Safety, Public Works, Human Resources and Community Development.

The public schools in Paterson are state operated as a result of a state takeover in August 1991.

The city has suffered, as have many older New Jersey industrial communities, from problems associated with its aging buildings and infrastructure. There is much left to do but Paterson is continuing to work diligently to stem the tide of this deterioration and to bring itself back to being a thriving business and industrial community.

## I. BEST PRACTICES

A very important part of the Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness.

### **Fire Division**

On-duty firefighters have been trained by the manufacturer to test and repair the division's 193 Self Contained Breathing Apparatus (SCBA) units in-house and has therefore, cut the associated costs from \$400-\$800 per unit to \$150 - \$180 per unit per year. The total cost savings is estimated at about \$1,000 in the first year, \$4,000 in the second year and will be about \$6,000 thereafter.

**The team commends the fire division for both identifying and implementing a cost savings measure and increasing the productivity of the line staff.**

### **Public/Private Partnerships**

George Washington Carver Service, Inc. began operations in January 1995. The company was formed to manufacture top-quality window treatments, while providing inner-city young adults with work experience. This entrepreneurial training program is a unique public/private partnership between Hunter Douglas Window Fashions, Minority Athletes Network, Chemical Bank of New Jersey and Paterson Restoration Corporation. The mission is to be a leading nonprofit organization that provides services to business, communities and young adults through innovation, dedication and mentoring. The company gives employees first hand experience in running a successful business and proceeds from sales are reinvested in scholarships, cross training and counseling programs. Participants are enrolled at G. W. Carver for 18 months and are required to enroll in evening continuing education courses throughout their tenure in the program.

**The team congratulates all those involved in the efforts made by this public/private partnership.**

### **Animal Control**

The Animal Control Division has been recognized by the national Humane Society and other organizations as being one of the best run animal control programs in the country. Not long ago the Today Show came to Paterson to film the operation. This division has brought some much deserved recognition to the city. One of its most successful actions was a council approved initiative to allow local pet adoption organizations to pick up healthy dogs and cats from the shelter and take them for adoption. The volunteer organizations then handle the initial inoculations and help to find homes for the animals.

**The City of Paterson is commended for operating a successful animal control operation.**

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS & RECOMMENDATIONS**

The purpose of this section of the report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings or enhancements for the municipality and its taxpayers.

### **GOVERNING BODY**

The city operates under the Mayor-Council form of government with the city divided into six wards. One council member is elected from each of the six wards and three are elected at-large. Executive responsibilities and authority lie with the mayor while the legislative functions lie with the city council. There are five full time clerical staff to support the city council, which operate out of the city clerk's office. Their operating procedures are more fully discussed in the section covering the city clerk's office.

### **ADMINISTRATION**

The city has a full time business administrator to oversee the daily affairs of government, with a staff of 30 people. The divisions that fall under the Department of Administration include Data Processing, Personnel, Purchasing, Budget and the Office of the Public Defender. These divisions are discussed elsewhere in this report.

### **CLERK**

Paterson's clerk is custodian of the municipal seal, the books, deeds, bonds, contracts and archival records of the city. During elections she serves as the chief administrative officer and the registrar of voters. She serves as the administrative officer for the application and issuing of licenses and permits and acts as secretary to the governing body. The work as secretary involves preparing meeting agendas, attending city council meetings, maintaining meeting minutes, and retaining original copies of ordinances, resolutions and contracts.

The Clerk's Office consists of eleven people with total annual expenditures of approximately \$560,738. This includes salary and fringe benefit costs of \$497,888, plus \$62,850 in other expenses. The Clerk's Office is organized into two parts, the City Clerk's Office and the City Council's Office where clerical support is provided to the nine city council members.

Each part of the Clerk's Office is analyzed separately below.

#### **Clerk's Office**

The clerk's immediate office has six employees including the clerk. The office seemed to be well run and organized and the team saw a strong spirit of teamwork. These employees sometimes help complete work in the Council's Office as well as in other municipal offices. We observed these employees responding quickly and courteously to people and to telephone calls coming into the Clerk's Office.

The only problem noted were complaints about the outdated computer system. However, we understand that plans are underway to update the main computer system although there are no plans to update word processing.

#### **City Council Staff**

The City Council's Office has five employees including one supervisor and four clerical people. The unit carries out a variety of activities including telephone work, creating agendas for bi-weekly council meetings and bi-weekly workshop meetings (to prepare for the council meeting), copying documents for distribution, drafting letters to constituents and completing mailings.

The Council's Office does a lot of telephone work. The four secretaries spend about 50% of their time on telephone related work for the nine council members. Another 20% of their time is spent on non-council telephone work such as answering calls from citizens that are then either referred to the appropriate department or are provided with the appropriate information.

The telephone work related to city council members includes answering calls, logging messages in the phone log, entering names and phone numbers into the computer system for future reference, providing follow-up information to council members when they come into the office to pick up their messages and providing messages to council members.

Each clerical person is assigned to two council members. All calls are logged into a telephone logbook maintained by each clerical person. If a secretary is out, or away from her desk, another secretary takes the message and logs the call in her book.

In addition to each secretary's telephone logbook, the unit creates a list of all phone messages into a separate logbook for each councilperson. The supervisor believes that this additional log is necessary because the four secretaries sometime take messages for council people they are not assigned to and log it in their own book. If they did not re-log the call into each councilperson's individual logbook, the staff would need to check each secretary's logbook for all messages to a particular councilperson. The cost of this telephone work is significant. The total salary and fringe benefit cost of the four secretaries is \$138,858. About 70% or \$97,201 of this is related to telephone work. The other 30% is related to a variety of paperwork and document preparation tasks.

The team believes that the cost of this telephone work can be reduced significantly by using an automated answering system, commonly called voice mail, and eliminating a good deal of telephone work. Voice mail provides a variety of options for the caller and the individual receiving the call. This would largely eliminate the need to have direct access to the clerical staff solely to receive messages.

The Clerk's Office looked at the possibility of voice mail a number of years ago but did not pursue it for several reasons. First, office staff had negative experiences using phone mail systems in other municipal offices in Paterson. Second, the office staff believes that a person, rather than a machine, should answer all calls from citizens. Third, office staff believes that telephone numbers must be tracked in case council members need to call an unlisted number.

We believe that each of these problems can be overcome. As noted earlier, callers using a quality voice mail system would be able to leave more effective messages and council members could retrieve messages any time of the day. The tracking of unlisted phone numbers does not appear to be a necessary activity to the team, and even with clerical staff, there is no guarantee that the number will be made available. The city could set up the system to have one person answer first, serving in a receptionist role, and then the call can be directed to an answering machine if the individual is not available.

The cost of voice mail is relatively minor. The additional charge to each existing line (each councilperson has his/her own line) is approximately \$15 per month. This equals \$180 per year or \$1,620 per year for all nine council members.

#### **Recommendation:**

**The team conservatively estimates that one-half of the telephone work would be eliminated with a voice mail system. Eliminating one-half of the cost equals \$48,600 or the cost of 1.4 secretaries. Subtracting the \$1,620 costs of the automated system leaves a net savings of \$46,980. We believe, further, that the city should consider this for all departments and possibly eliminate a portion of the over 100 clerical staff positions whose main responsibility is to take messages. There is a state contract available for voice mail service.**

**Cost Savings: \$48,600**  
**Value Added Expense: \$1,620**

## **FINANCE**

The Finance Department is lead by a director who is also the chief financial officer (CFO). This position was vacated at the end of the 1997 fiscal year and is temporarily filled by the comptroller. The department includes the following divisions: Office of the Director, Accounts and Controls, Tax Assessment (Taxation), Internal Audit, Ambulance Billing, Revenue Collection, Sewer Billing and Treasury.

The two primary concerns of the previous finance director were the need for reassessment of the existing operations and the need to have a more responsive, more cohesive automated financial management system. These issues are discussed in detail under the relevant sections of this report.

### **Office of the Finance Director**

The director is supported by an administrative secretary and a collection manager. The FY96 cost of the director's office was \$158,948 for salaries and direct benefits and \$24,825 in other expenses. The budgeted cost of the collection manager function was \$30,437 in FY97. The collection staff was supplemented by two additional clericals at the end of FY97. The FY98 budgeted cost of the new collection positions is \$32,288. The collection manager and staff were assigned to the director's office to assure that they were not used to fill in on other functions. A June 1997 memo summarizing April activities documents collections of \$294,713 in delinquent tax and sewer payments by the three staff members.

**Although this is not necessarily an approach that would be applicable for many other communities, Paterson is commended for identifying a need for improved water and sewer collections and addressing it aggressively.**

### **Accounts and Controls**

The total salary and direct benefits cost of this division in FY96 was \$315,793. The division is staffed by a director, deputy director, senior accountant, accounting assistant and four administrative support staff members. The other expenditures were \$9,300 in FY96 and \$8,600 in FY97. They are responsible for more than \$200 million in revenues from more than 80 different sources, and they process more than 30,000 invoices annually.

The Comptroller's Office is responsible for maintaining the general ledger, preparing financial statements and all functions related to accounts payable and grant accounting and currently maintains the fixed asset accounting system.

The two primary concerns of this office were maintaining accurate revenue estimates in the budget throughout the year in order to assure a balanced budget, and completing the budget preparation process in a more timely manner.

### **Revenue Estimation**

From 1993 to 1996, Paterson's realized revenues have fallen short of the estimate in two out of four years. The two times that the realized revenues exceeded the estimates were by less than 3% one year and one half of a one percent in the other year. A consistent discrepancy in revenue estimations was found in the estimated tax collection rate. In 1993; the actual collection rate was .28% less than estimated; and in 1996 it was 1.19% less than estimated. In FY97, this trend was continuing. The anticipated collection rate had been 93% and it was coming in at about 91.80%. Although the accuracy of the tax collection rate is significant, it would not have been as significant an issue if all the other revenue estimates had been conservative. An inevitable deficit was avoided when the comptroller and revenue divisions held the recently authorized current year tax sale.

At the time of the current year tax sale, approximately \$11 million was outstanding. Of this amount, \$4 million was collected before the sale directly from taxpayers. Just the threat of the current year tax sale increased the collection rate by 1.7%, bringing it to the amount estimated in the FY97 budget.

### **Recommendation:**

**It is recommended that the tax collection rate be conservatively estimated based on all actual collections prior to the date of this assignment sale for ensuing budget years.**

### **Revenue Collection**

The revenue collection division consists of 14 staff members. Through attrition over the past few years salary savings have been achieved by filling existing positions at lower salaries. In FY96 the salary and direct benefit costs of the division were \$454,624. The other expenditures were \$121,850.

The revenue collection division has two sections, Tax Collection and Licensing. Alcoholic Beverage Control (ABC) license fees were raised for 1996 resulting in a decrease in renewals and a decrease in revenues. In FY96, Paterson issued 182 retail consumption licenses and 62 retail distribution licenses. Revenues collected in FY96 were \$150,720 as opposed to an estimated \$154,700. Other licenses and fees collected in FY96 were \$87,238, or

87% of anticipated revenues. In FY97 the anticipated amount was somewhat more accurate but still fell short of actual collections of \$81,180, or 93% of the estimate.

### **Treasury**

The 1996 salary and benefit cost of the treasury function in 1996 was \$361,031. Actual other expenditures were \$35,678. The treasury function is staffed by the treasurer and seven administrative support people. The responsibilities of treasury include cash management, debt management, insurance, deferred compensation, distribution of accounts payable checks, bank reconciliations, school district money disbursements and payroll, including management of deductions.

### **Debt Management**

According to the 1996 Debt Statement, Paterson's net debt was \$81,050,780, or 2.8%. For 1997 this amount was \$80,007,266, or 2.89% which is below the statutory limit of 3.5% (N.J.S.A. 40A:2-6). Approximately \$37,800,000 of the debt was the result of Fiscal Year Adjustment Bonds (FYABs) from February 1992. The change to Fiscal Year has been lauded as beneficial because it has improved the city's cash flow enabling them to operate without the use of Tax Anticipation Notes (TANs) and enabling them to forego requesting an advance from the state.

It appears that Paterson is attempting to manage its debt and stay below the statutory limit while still making the capital improvements needed to maintain the city's infrastructure and equipment. In the past several fiscal years Paterson has canceled bond amounts and re-appropriated them to decrease the need for more debt and they have added debt only at the rate that it is paid during the fiscal year. As a result they have maintained a debt ratio just below 3%.

The last technique that city officials employ in relation to their debt, which is commendable, is that they incur debt under the qualified bond act. Qualified bonds are issued in order to strengthen the credit status of municipalities and expand the market for and lower the interest costs on bonds. The municipality pledges its state aid to guarantee debt service payments on such bonds. These bonds may not be issued until the state's Local Finance Board approves their issue based on the need for the facilities to be financed from the proceeds, and the ability of the municipality to supply other essential improvements.

### **Cash Management**

This section analyzes the city's management of its cash balances. Specifically, it assesses whether the city obtains competitive interest rates from banks and whether it operates efficiently. This is done by reviewing banking fees and interest earnings; combining or closing small accounts to reduce bank charges; and using modern banking tools such as wire transfers. The city has an informal policy of maintaining major accounts in the five banks that operate within its borders. We understand that two additional banks are opening offices in Paterson and the city will include them in distributing the city's banking business.

The analysis of Paterson's cash balances is based on interviews with the treasurer and the individual who directly manages the city's cash balances. In addition, we talked to the director of accounts control about selected accounts. We completed a detailed analysis of twelve monthly bank statements for each major bank account to identify average daily balance, fees charged, interest paid, if any, and the interest rate. Based on the available data all information is for FY97.

Our analysis includes a comparison of interest earned by the city to, that which might have been earned through the New Jersey Cash Management Fund (NJCMF). The comparison of NJCMF to bank rates is not an exact one for a number of reasons. NJCMF pays a higher rate because it does not provide any bank services. Money is simply wired in and out. And, NJCMF does not have a 10% reserve requirement that it cannot pay interest on as banks do. The NJCMF does not provide normal banking services such as check processing, instead, the purpose of the NJCMF is to "park" longer term funds until they are needed and then to transfer them to "regular" bank accounts. Our analysis, however, takes these differences into account when determining what the most viable approach might be.

The two thirds of the city's cash balances that earn excellent rates are maintained in the NJCMF (\$15 million) and in one grouped account in its main bank (\$3.6 million). The balances in the NJCMF are distributed across six accounts. The NJCMF paid an excellent rate at 5.29%. The city periodically ensures that the NJCMF pays a competitive rate by calling local banks and comparing their CD rates to the NJCMF. The city transfers funds in and out of the NJCMF by asking the bank to wire funds.

The other account that the city obtains excellent rates on is \$3.6 million in cash balances in one account in its main bank. This account includes 28 separate accounts which are grouped together under an account analysis. This is done in order to receive a higher, uniform interest rate. The main bank uses the common practice of reducing the balance that it pays interest on by 10% to account for a legal reserve requirement. The bank normally charges about \$40,000 per year in banking fees. The bank receives payment for these fees by lowering the balance that it pays

interest on to equal the cost of the fees. After taking out fees and the 10% balance requirement the city earns 5.05% interest on the remaining balances. Our comparison of this interest rate to the 5.29% average NJCMF rate indicates that the bank's rate is very good.

In addition to the \$40,000 in fees the city normally pays its main bank, the team found that in FY97, the city paid \$21,000 in additional fees. The bank charged these fees because in April, May and June (\$7,000 was charged each month) payroll checks were cashed before the city's deposit check cleared to pay for them. In April, an employee was reprimanded because he did not deposit the check when directed. A similar problem re-occurred at the end of May. The employee experienced long lines at the bank and when he deposited the check the bank counted it for the next day. Since it occurred on the next to last day in May, paychecks were cashed in May and others in June, however, funds were unavailable to pay the amount of the checks. The Treasurer is trying to negotiate with the bank to have some of these fees reimbursed.

Unfortunately, the city could have avoided these problems by more closely monitoring bank statements and using wires rather than paper checks to deposit funds into the payroll account. Wires avoid the delays caused by using checks for deposit and can make funds available on the same day. The team found that the use of paper deposit checks is related to inadequate computer equipment and outdated procedures. The person who directly manages Paterson's cash balances is at a disadvantage because she does not have a computer to monitor bank balances directly. This is especially important because of the large number of banks involved. Updated computer equipment will enable balances to be monitored online which will help to increase interest earnings and to avoid unnecessary fees.

The city views paper deposit checks as necessary to establish proper authorization and control. However, proper controls can be established with wire transfers such as limiting wires to and from selected accounts, establishing dollar limits and procedures to identify personnel authorized to make such transfers and creating paper authorizations of wire transfers.

**Recommendation:**

**The city should invest in a computer with a modem for the person that manages its cash balances. It also needs to update its cash management procedures by monitoring statements more closely and expanding the use of wire transfers. After discussions with the Treasurer on the unnecessary fees charged and the expected increase in interest earnings, she renewed her request for updated computer equipment. She recently indicated that new equipment has been approved.**

Even though the city earns an excellent interest rate on two thirds of its cash balances, this situation can be improved further by reducing routine bank fees where possible. The team identified many low activity accounts, which the city might be able to close or combine as sub-accounts with others that have a similar function. Eliminating small, low activity accounts reduces bank charges and administrative overhead.

One example is the Public Assistance and the Public Assistance Trust Fund II accounts. The State Division of Family Development indicates that these accounts can be combined as long as the funds can be accounted for separately. Other examples where we believe accounts could be combined are:

- the Police Vice Squad Account, Narcotics Account, and the Police Training Account (non-forfeiture moneys only may be combined)
- the Bond Account, Bond Interest Account and the Bond and Coupon Account (budget line items for principal and interest must be separate)
- the Capital Account and the Restoration Account (non-bonded moneys)

**Recommendation:**

**The city should review its smaller, low activity accounts and try to close or combine them as sub-accounts with accounts that have a similar function. This will help to reduce bank service fees and reduce the administrative burden of maintaining these accounts.**

The city maintains a total of \$9.4 million in cash balances to meet immediate obligations. These funds are held in fourteen accounts in five banks. The average interest rate paid on these accounts is roughly 1.6%. Only one account earns a good interest rate (4.42%) and several earn no interest. The banks do not charge a fee for these accounts and they do not take a 10% reserve requirement. In addition, the city rotates, on a monthly basis, its deposit of local tax revenue in each of these banks.

In order to compare the interest rates on these accounts with NJCMF we adjusted for the lack of fees and the 10% reserve requirement. We developed an estimate of fees based on the average fee charged by the city's main bank for high and regular volume accounts.

After adding in fees and the 10% balance requirement, we suggest the city could still earn up to \$195,464 more per year in interest earnings if it received a competitive interest rate.

These rates are low because the city has not worked with banks to obtain competitive rates. The city believes it is important to maintain good relations with banks in the community. In order to do this, the city distributes a significant portion of its banking business to each bank in the community. This informal policy has existed for years.

The team agrees with the value of maintaining good business relations with more than one bank in the community. In fact, we generally recommend that a city maintain its major accounts with one bank but that it should have smaller accounts with other banks. This helps to maintain banking relations with many banks and it helps to keep the city informed of new developments and products in the banking world.

However, the informal policy of sharing its banking business so broadly and without assuring competitive rates is inconsistent with sound business practices. It spreads funds over many banks which reduces the balances available for longer term investments. This in turn reduces interest earnings, limits the ability to group a number of accounts together to obtain a higher uniform interest rate, unnecessarily increases administrative effort and does not build strong, competitive banking rates.

**Recommendation:**

**The city should work with its banks to obtain competitive interest rates. This can increase interest earnings up to \$195,464 per year. To accomplish this the city will have to eliminate its informal policy of sharing major accounts with every bank in the community. The city should select one main bank that provides competitive rates and quality service and have minor accounts with the other banks based on periodic written proposals from other banks to ensure competitive rates. This will provide greater value to the city.**

**Revenue Enhancement: \$195,464**

**Budget**

The Budget Division is actually under Administration, but for functional purposes, we have included it under Finance. It consists of a budget director and an assistant budget director. The budget director reports directly to the city administrator. The cost of the division is \$129,054 in salaries and benefits. The staff's responsibilities include preparing the budget; preparing and monitoring the temporary budgets; preparing chapter 159s; special appropriations for council approval; and monitoring expenditures against the budget. In addition, the assistant budget director has special monitoring and cost savings projects to manage and oversee including preparing the bills for hospital refuse collection, preparing projections on the impacts of contract modifications and monitoring and managing transition to a new telephone billing program.

The department heads are given budget history and current expenditure information from which to prepare the budget. The department budgets are reviewed by the administrator, the budget staff and the council. The division also requests proposals from department heads for 10, 15 and 20% cuts enabling the departments to assist in determining where cuts may be made if necessary. Supercalc, an older software package, is used to prepare the budget document and prepare staff and other expense projections during the year. The budget document is clear, informative and provides both staffing and budget history.

**Recommendations:**

**It is recommended that the budget staff and the city administrator proactively review and revise department requests appropriately prior to the budget submittal to council. To show the impact of this review, it is also recommended that a column be added so that both the department request and the administration recommendation are visible. It is further recommended that the budget office identify and convert the budget document to a more current and appropriate software. The result should be a more flexible and powerful document.**

The budget appropriations are conservative in that revenues and the impact of vacancies are deducted from the appropriation requested. Revenues are loosely estimated based on the previous year's actual receipts but estimated revenues, in fact, frequently exceed actual. The budget ended with a deficit in the previous two years because of unanticipated events. One event was the blizzard of '96 and the other was a tax appeal issue that has since been resolved. The 1996-97 fiscal year would also have ended in a deficit but the city held an assignment sale for current taxes.

**Recommendation:**

**It is recommended that the budget revenue estimates be carefully reviewed against regulatory, economic and other changes to assure that they are as close to accurate as possible.**

As the process stands now, the final budget is usually ready in early to late spring of its own fiscal year. The 8-10 month lag in the adoption of the budget creates an inability on the part of departments and divisions to plan and spend money in a rational manner because after the first two-month temporary budget, the temporary budget must be renewed again each month for just a portion of the last year's annual budget. In many cases this only allows for the payment of salaries, rather than allowing for the expenditure of funds on necessary services and procurements as planned for an entire year. Officials have commented that the delay is due to the lack of information on state aid figures, however, city officials should still be able to put together their spending plan and then adjust that once they receive the state aid figure.

**Recommendation:**

**It is recommended that the administration and council work together to find a means of adopting the budget at an earlier point in time. Potential alternatives to the current approach would be to prepare a budget including revenue estimates based on year to date experience taking into account regulatory and operational changes that could impact the final total. City officials should not be waiting to see what the state aid figure is so they can spend up to the revenues they take in, but rather should set a firm plan and adjust it if necessary once the state aid numbers are provided.**

## **PURCHASING**

The city's Purchasing Division is comprised of a director, a buyer, a chief clerk, a purchasing clerk typist and a purchasing assistant. Throughout the year they process between 12,000 and 15,000 purchase orders on a 1996 OE budget of \$35 million, for a staff of approximately 1,600 and more than 67 operating divisions and agencies. The 1996 salary and direct benefit costs of the division were \$219,384 and other expenses were \$17,275. Assuming the

lowest amount of purchase orders this means the per purchase order cost is \$19.68. Understanding that this amount supports bid development, price quotes, and vendor relations this seems to be a reasonable per unit cost. The division prepares a two-part requisition which is then signed by the division head, the department director and the purchasing agent. One copy is retained by the division and the original is forwarded to purchasing. Purchasing staff then logs and enters the requisition into the computer and encumbers the funds. The purchase orders (POs) are then batched by Data Processing. At that point, same vendor requisitions are compiled on one PO to reduce the number of POs and checks. The requisitions will bounce back and not result in a PO if there are not enough funds in the division's account. Manual POs are prohibited. There are, however, blanket POs which allow agencies to order items from a vendor up to a certain amount. The PO's have five parts including a voucher, which must be signed and returned to purchasing by the vendor, a vendor copy, an accounts and control copy, a purchasing division copy and a receiving report. The receiving report must also be signed by the division and sent to purchasing with the signed voucher and invoice.

Batching in Data Processing adds four to five days to the purchasing process. Within departments, additional sign-offs can be required (i.e. administrative sergeant, police chief and public safety director all must sign). Finally, there is also a requirement that the city council must approve resolutions for all purchases over \$2,500. Council resolutions can add one month to the purchasing process and cost more than \$1,000 per resolution in city staff time. Streamlining purchasing requirements to only require resolutions at the bid threshold would reduce the number of resolutions from 300 to about 230.

#### **Recommendations:**

**Streamline purchasing procedures by raising the dollar threshold for council resolution to be consistent with the state established bid threshold of \$12,300.**

**Productivity Enhancement: approximately \$70,000**

**Paterson is urged to purchase a financial management system which will allow for electronic approval of purchase orders and batching of POs in the purchasing office. This would speed up the turn around on purchase orders and preclude the need for a manual record and retyping the requisitions. An upgrade of the financial package to include electronic purchasing is estimated to cost \$20,000.**

**Value Added Expense: \$20,000**

Emergency POs may be issued by the purchasing agent if it is deemed to be an emergency situation. An emergency PO still requires completion of a requisition but it goes directly to the purchasing agent who walks it through the approval process. Officials do not allow confirming PO's at all which eliminates the potential for accidental duplication of orders.

A concern that has arisen regarding major bid based expenditures is that payments have been made on contracts which have not met the implementation objectives of the contract. Two such instances relate to the purchase of an automated financial management system and the preparation of the tax map. The contracts date back several years and it is unclear whether the original specifications were written well enough to have taken action against the vendors. Since that time, Purchasing has worked to assure development of thorough detailed specifications that are approved by council, and Purchasing has communicated to the divisions that they are responsible for assuring that the products or services are of the quality and type detailed in the specifications. The last safeguard available is for the administration to hold individual managers responsible for contract compliance enforcement.

#### **Recommendation:**

**It is recommended that administrative leadership assure accountability for contract compliance enforcement on the part of individuals approving payments.**

#### **Competitive Contracts**

Paterson competitively contracts for many goods and services including security, copy machines, HVAC, elevator repair, garbage collection and towing services. The purchasing agent has developed a procedure for divisions to notify the purchasing office of their dissatisfaction with a contract so that purchasing can work with the vendor and the division to resolve any issues.

### **Auctions**

Purchasing handles all auctions including two for vehicles and equipment; two for bicycles; two for other property; and twelve for abandoned cars and hulls in FY97. They receive 250 vehicles for auction every 28 days; the majority of the vehicles are abandoned property. The minimum bid on the vehicles is \$700 to cover costs.

### **Cost Savings Initiatives**

With the advent of layoffs and budget cuts, the purchasing agent has become fairly aggressive in pursuing and helping agencies to maximize the value of each purchase made by the city. Some of the techniques employed recently include:

- Saved eight cents per gallon by switching from high to lower octane gasoline.
- Eliminated proprietary paper towel dispensers, which had limited them to one vendor, and then required provision of the dispenser in new bids so as to increase the number of vendors that can be used.
- Changed to automatic transmissions for city vehicles, which initially were more expensive but resulted in lower repair and down time costs.
- Agreed to field test a set of fuel injected Harley Davidson motorcycles and were able to trade in eight used motorcycles for eight new fuel injected motorcycles at no additional cost.
- Specified a one step recycling truck to reduce the risk of injuries to the laborers.

The city has also pursued cooperative arrangements with other municipalities as well as the school district. They are interested in instituting a reseller's agreement in a trade of gasoline for

paper with the school district but this is not allowed by state purchasing regulations. They are pursuing DCA approval of reimbursement from the school district on a current year basis instead.

**We commend the purchasing division for these cost savings initiatives.**

## **INTERNAL AUDIT**

The internal audit unit is organized into two separate functions. One is the traditional internal audit function and the other is ambulance billing. Of the four people assigned to the unit, 1.75 work in internal auditing and 2.25 work in ambulance billing. The ambulance billing function is discussed separately in another part of this report.

The director of the internal audit unit is a certified internal auditor and allocates three-quarters of his time to internal auditing and one-quarter to ambulance billing. He has one full time staff person who is an accountant. The annual salary and fringe benefit costs of these 1.75 people is \$85,113.

This unit is responsible for ensuring that payments in lieu of taxes that are due the city are up to date and for carrying out numerous ad hoc operational and financial reviews to improve financial controls and reduce costs. The unit is not directly responsible for internal financial controls, instead, the accounts and control unit within the Department of Finance monitors financial controls and directs the Internal Audit unit to fix any problems that it identifies. The professional staff spends a small portion of their time doing clerical work because they have no clerical support.

The city relies heavily on the internal audit unit for independent analytical and financial information. The team reviewed memos coming into and out of the unit for the past eight years and found many examples where the unit saved the city money. In one case they took the lead in obtaining an additional \$230,000 for the city by aggressively going after an increase in the Medicaid reimbursement rate. The team was impressed with the quality and value of the work of this unit.

The former CFO identified financial analytical work that could be done by the Internal Audit unit that would save the city additional funds, however, this work has been delayed because of staffing limitations. The team searched for staffing standards in the internal auditing profession but that information is not readily available. Our impression is, however, that assigning additional staff to this unit would result in increased savings to the city, though staff increases should be contingent on the director identifying the additional work that would be completed and the net savings to the city from this effort.

The value of this unit could be further enhanced if the unit staff took advantage of professional associations that identify new ways for internal audit units to save taxpayer money. The unit staff was unaware of internal auditing staff in nearby cities (one is in Jersey City) and did not know of any professional associations that focused on internal auditing. The team believes that this lack of outside contact is due to the heavy workload of the unit. The team located two associations that could provide useful information: the National Association of Local Government Auditors (414-278-5185), and the Intergovernmental Audit Forum (609-292-1897).

### **Recommendation:**

**Paterson's internal audit function strengthens the city's financial controls and saves the taxpayers' money. The city should consider expanding the staffing in this unit contingent upon receipt of proper documentation from the director that extra staffing would result in a net savings to the city.**

## **COMPUTERS**

The City of Paterson has a collection of information “solutions” which are the crux of its technological problems. The city invested in a “turnkey” or “out-sourced” solution for its information needs. This has made information processing a chore to all departments and reporting of information to management a tedious process. The financial system is run by a company that has only one client in New Jersey. Normally, this should not present a problem but since New Jersey’s municipalities are unique in their accounting structure, it would be considered more prudent to contract with a company that has more experience with the unique method of accounting practiced in this state. The company has promised several components to the system which were never delivered. This includes the systems for the motor pool and rent control functions. The company does have experience in these areas in other cities and has given no reason for these delays.

Automation within the legal office is extremely old and outdated. The telephone system consists of phones with no intercom or hold features, no voice mail, and only a few of the phones have the ability to transfer calls. The computer system consists of only a few terminals that are connected to the mainframe computer and one PC that has Internet access. They are using word processing software that is over five years old. According to the corporation counsel, the office cannot have any more terminals because there is no more space to connect to the mainframe. The result of this inadequacy is an office that is getting by with what it has, but is not able to become more efficient or effective. Currently, there are often times when an attorney needs access to a computer, but none is available.

The hardware that the city recently purchased could handle running a city the size of Paterson. However, the nature of the software and the city’s internal processes appear to inhibit the success of the system. The city has delayed transferring old data that resides on its old mini computer system to a new system because those systems are not necessarily compatible or easily transferred. The versions of both WordPerfect and PlanPerfect that the city utilizes are no longer supported on mini computers by the software manufacturers and have been obsolete for seven years. The Finance Department was converting some of its documents over to newer versions of spreadsheet software.

The city also had a serious wiring problem which was being addressed during the team’s review. The city was investing in a more modern version of cabling which will have fewer connections that could fail. The cabling in City Hall was a constant source of problems which could be attributed mainly to the age of the building and the difficulty in wiring. Since the building is an historic landmark, alterations to the building are more difficult.

The city has spent a great deal of money on computers yet it is not as effective in the utilization of that technology as it should be. The “guts” of the system, the hardware, is fine. The city has a server capable of handling an organization of its size, but the leadership of the city should consider bringing in a consultant whose sole obligation would be to recommend a system or systems to handle the computer needs of the city. Considering the money already expended for systems that have either under-performed or have not been delivered, it would be wise for the city to consider the following points when making additional purchases:

- purchase user friendly systems;
- ensure compatibility of software;
- ensure flexibility of report writing by the user;
- ensure security of system;
- ensure the ability to upgrade systems;
- consider city-wide network vs. individual PC issues;
- consider support services available and popularity in municipal use; and
- ensure the ability of the system to perform multi-task operations.

The city has purchased machines and installed them but training for staff has been lacking. Computerization involves three components: hardware, software and people-ware. If the employees are not properly trained in the usage of software and hardware there is little gain from the investment.

**Recommendations:**

**The city needs to take a look at the lack of automation that pervades the city's departments and divisions. There is no way for a department to become more efficient, effective, or save money if they don't have the appropriate resources. Communication between the Data Processing staff and the other city departments should be facilitated to try and rectify the situation that currently exists.**

**The city should consider hiring a consultant with a proven track record in New Jersey to evaluate the information needs of the city. The city needs to be objective in its evaluation. The city must make effective use of the system it already has by identifying compatible software that will meet the needs of all departments.**

**The International City Managers Association published a guide that may prove helpful, The Manager's Guide to Purchasing an Information System. This guide stresses several factors that should be looked at when considering what types of solutions there may be for differing informational problems. The most important function that the city should perform is an informational needs analysis.**

**The city should perform a flow analysis of its major informational work processes: purchasing; revenue and tax collection; budgeting; work orders; databases; word processing; spreadsheet; and voice and e-mail for communication. This will assist the city in determining appropriate technological solutions to its system processing problems.**

**Finally, the city must invest in adequate and appropriate training for its employees and users of the computer system. The training program should include classroom training, training videos, training manuals, and readily available experts who can assist users.**

## **PERSONNEL**

### **Civil Service**

The city is comprised of the following civil service employees:

- unclassified appointees serving at the pleasure of the governing body;
- provisional employees; and
- permanent employees.

There are a total of 1,754 civil service employees. According to payroll records, the city has employed up to 1,980 individuals over the past year. Of that number, 100 summer employees were unreported to civil service and some 250 employees were either hired on a temporary basis or were terminated during the year, bringing the figure of total employees to approximately 1,630. This number still represents a discrepancy between the team's findings and Department of Personnel records, which should be reviewed by both the city and the Department of Personnel. In general, the city needs to direct all long term hiring to the New Jersey Department of Personnel so that merit procedures can be undertaken on a timely basis. This comment is also applied to promotional hiring where records have sometimes languished before being directed to the appropriate state agency. While it is generally understood some of these records are delayed while testing takes place, merit concerns should take precedence over concerns about "passing and potential bumping."

Of the numbers identified, the 235 provisional or those pending testing procedures are the most serious Department of Personnel concern as these positions are spread out over all departments. The Department of Personnel will attempt to expedite those tests which are of a critical nature and have been delayed for various reasons.

Specifically, there are 235 provisionals serving in 83 different titles. Of these, 213 are serving in positions pending open competitive testing. From this number, it would appear that 48 are to be tested in a relatively new continuous testing clerical program that began in early 1998. As of the time of our review, the city has made efforts to have

these individuals apply for the testing program. There are 51 individuals in a special license and certification program, which is due to be finalized shortly with the cooperation of the city and the Department of Personnel. Finally, there appear to be 40 individuals working in the face of active lists. These appointments have been disapproved by the Merit System and are in the process of being appealed on a case by case basis. Should Paterson refuse to conform to the lists as promulgated, the city could be subject to a fine or a Merit System Board order.

The analysis of the Paterson civil service provisional issue is by far the most outstanding merit system problem. However, it appears the new approaches taken by the Department of Personnel should significantly reduce the number of provisionals by nearly half. The remainder of the provisionals will have their tests announced on the Internet within the next few months.

Of the total number of employees, approximately 900 are involved in law enforcement, fire, emergency services, and public safety telecommunication operations. The civil service issues in the fire division, within public safety, will be reviewed thoroughly in the fire division section since certain misclassifications appear in the overall table of organization. Within the public safety domain, the city employs approximately 43 housing police, inclusive of all ranks. This division, which currently reports directly to the chief of police has received a great deal of attention due to grievances and Equal Employment Opportunity litigation. It appears that the city has come to an agreement whereby the union representing these employees will drop a number of legal issues if the city agrees to bring their wages more in line with regular police officers. This settlement will not affect civil service or titles and could potentially reduce the number of the ranking officials. The cost of the settlement to the city will be high, however, no actual figures were available at the time of our review.

Residency requirements, while constitutional for municipal employees other than regular police officers and firefighters, may not promote excellence in public service in light of salaries, municipal needs, and well run efficient government when considering needs of all taxpayers within the city. It should be pointed out that as a human resource issue, civil service guidelines do not demand residency ordinances as is sometimes misunderstood by many citizens. Rather, the municipality sets these standards in conformance with residency legislation to allegedly keep tax money with the citizenry.

#### **Recommendation:**

**It is recommended that a review of the residency ordinance be undertaken as it applies to qualified candidates, current inequities, EEO guidelines, and other issues affecting a well managed professional organization.**

#### **N.J.D.O.P. Computer Liaison/Testing**

The city has requested a computer liaison with the New Jersey Department of Personnel. This is currently underway and will be accomplished at no expense to the city with the exception of time. The city has also requested the Department of Personnel search for a test site within the city. This effort is also currently underway.

#### **Communication/Reporting Procedures**

Issues were raised during the review which affect centralized payroll and subsequent reporting procedures. Apparently, many departments maintain their own time and leave reporting systems which generate inequalities with respect to leaves, sick day accumulations, and other similar issues. A central reporting system maintained via computer with uniform official guidelines maintained in the personnel office could reduce concerns resulting from favoritism and possibly unreported leave.

In addition, it was brought to our attention that a sick leave policy reportedly exists which grants sick leave to police officers for periods of up to one year with little verification. N.J.S.A. 40A:14-137 permits such leave if authorized by municipal ordinance. N.J.S.A. 40A:14-137 further requires that a physician appointed by the governing body must certify as to the injury, illness or disability warranting the granting of such leave. In essence, city officials maintain that there is a "past practice" policy not found in the union contract which permits unrestricted sick leave for one year. Additional research by the team failed to disclose a required municipal

ordinance supporting such a policy. Further review of the contract did not reveal any additional information in this area.

Following discussions and interviews with most department heads, the general consensus regarding personnel involved a lack of communication between individual departments and the personnel office and a real lack of understanding on the part of department heads and other staff regarding civil service procedures.

**Recommendations:**

**It is strongly recommended that city officials and the Department of Personnel work closely on resolving the classification and training issues identified. Further, we suggest that communication be greatly improved between the personnel office and individual departments and that the personnel office and city administrator's office ensure consistent administration and management of all personnel matters across all departments.**

**It is further recommended that the city review with labor counsel the "past practice" of granting sick leave to police officers for periods up to one year, especially since it is not in the contract and does not conform to the appropriate statutory requirements.**

## **LABOR CONTRACTS**

The team reviewed all 19 labor contracts in the city. The following is a description of the provisions of these contracts with accompanying recommendations for change, which will require negotiation of contract provisions.

***Sick Leave:*** It appears that most contracts provide for 15 sick days per year. This includes the Housing Police P.B.A. and Housing Police S.O.A. Crossing guards get five days. Police and fire, excluding the housing police as mentioned above, for the most part do not get docked for sick time. There are unique sick time calculation formulas for the P.B.A., firefighters, fire captains and mechanics, which in essence does not always dock these employees for sick time taken. Most of this time is fully paid.

**Recommendation:**

**It is recommended that a standard sick leave policy, consistent with other city contracts, be instituted for police and fire. In addition, the requirement for documentation for extended sick leave must be enforced.**

***Vacation Leave:*** No vacation leave is provided for crossing guards. Most of the contracts specify different vacation leave allotments. DPW blue collar and supervisors, police motor pool, health, and Housing P.B.A get fairly standard vacation days at 12, 15, 20, 25 and 30 depending on years of service. Most of the others such as white collar and supervisors, police civilians, courts, communication operations and library receive 15, 20, 25, 30 days. The various police and fire contracts specify different allotments, many based on titles, particularly in the supervisors' unions. Vacation carryover days vary between contracts and, for those that actually specify a number, do not appear to be excessively generous.

**Recommendations:**

**It is recommended that the city reduce the generous vacation leave granted to the Police S.O.A which provides for up to 30 days for deputy chiefs. In addition, vacation leave for the other contract personnel should be standardized through contract negotiations. The use of similar yearly increments when calculating vacation leave (<1 year, 1-5, 6-10, 11-15, 16-20, etc.) would also be beneficial. A maximum number of vacation days granted annually should be established regardless of time of service (e.g. 25 days after 30 years.) An established maximum number of vacation days or percentage of allotment, allowed to be carried over, should be determined and included in the contracts. Not all contracts have this provision.**

**Personal Leave:** Personal leave time varies with each contract and ranges from two to six days. The city is already saving \$439,625 annually by limiting personal leave to two days in certain contracts.

**Recommendations:**

**We recommend the standardization of personal leave days allowed. With a limit of no more than three days, the standard allotment in the state, the savings would be \$119,779. In addition, we suggest there be no carryover of unused personal days permitted.**

**Cost Savings: \$119,779**

**Terminal Leave:** Though a number of the contracts include a maximum payout that appears reasonable, i.e. \$12,500, many other contracts provide an overly generous benefit, which in some instances includes payment to the estate of the employee if the employee had served at least fifteen years. The excess provisions call for payment of 720 hours for fire, or a lump sum equivalent to 35.6% of base salary with no cap, or 90 days of leave for police at full pay prior to retirement. At the average police daily salary of \$194.31 and fire hourly salary of \$23.74, these provisions could cost at least \$17,488 or \$17,093 per police or fire retiree, respectively.

**Recommendations:**

**If terminal leave were capped similar to the other contracts at \$12,500, the savings would be \$4,593 or \$4,988 per retiree for police and fire, respectively. Using an average number of retirements per year of 11 and 16, respectively, based on a rate of 4% per year, the total savings would be \$50,523 and \$79,808. We therefore urge that appropriate caps be put in place.**

**Cost Savings: \$130,331**

**In addition, we suggest that the payment to the estate of an employee be eliminated. Though we understand the humanitarian reason behind this, we believe that the substantial benefits provided by the pension systems do not need to be enhanced at local taxpayer expense.**

**Bereavement Leave:** The general benefit provided in most municipalities is either “day of death through day of burial,” or a maximum of three days for immediate family and less for others. Eight of the contracts allow for four or five days of leave.

**Recommendation:**

**The team suggests that this benefit be provided for consistently throughout all contracts as the “day of death through the day of burial” and that personal leave be used in addition to this time on a case-by-case basis, dependent on particular need.**

**Recall Time:** For recall to duty, police receive a minimum of four hours at an overtime rate. Housing police receive hour for hour at overtime rate. Fire battalion chiefs receive a minimum of two hours at standard time rate. Firefighters receive a minimum of four hours at 1.5 times the standard rate. Most other contracts, if they include this provision, vary with the minimum number of hours but are at 1.5 times the standard rate.

**Recommendations:**

**We recommend that a maximum rate of two hours at the straight time rate (in non-overtime situations) is adequate to fairly compensate employees for being recalled to duty. In addition, however, we suggest that all employees being recalled be provided with two hours of work, even if the original need for recall did not take the full two hours. Travel time should not be included. We further suggest similar limits and requirements for standby and court time.**

**Blood Donor Time:** The P.B.A., S.O.A., Housing P.B.A. and Housing S.O.A. contracts all call for one day off for donating blood.

**Recommendation:**

**Though this benefit is reportedly not used, the team sees no reason to continue to include it in the contracts particularly since it does not take more than one hour, on average, to donate blood.**

**Work Week:** There is no standard workweek in Paterson. There are variations in nearly every contract. Some contracts include lunch hours and breaks, others do not.

**Recommendation:**

**We recommend that the workweek for the majority of city employees be standardized. We suggest that all full time employees be required to work at least 35 hours per week, excluding lunch and meal breaks.**

**Night Differential:** Most of the contracts include quite generous night differential provisions ranging from 3% to 10% and some include this whether the employee actually works the particular shift or not. The team believes that this benefit is a historical one instituted by a number of municipalities at a time when local government salaries were not at the level they are now, in an effort to entice employees to work in the public sector. In the case of police, housing police and fire employees whose jobs require that they work various shifts and they know that when they accept the positions, the 3% differential on an average base yearly pay calculated on only one third of their time amounts to \$472.83 for police, \$409.88 for housing police, and \$1,104.28 for fire (for 24 hr. shift). Further, the range of hours included in the “night differential” provision in Paterson is typically 3:00 p.m. to 8:00 a.m., or 17 hours out of a 24 hour day!

**Recommendation:**

**The team believes that night differential pay is unnecessary and overly generous and should be eliminated entirely. For police, housing police and fire employees alone, this would save approximately \$509,045 per year.**

**Cost Savings: greater than \$509,045**

**Education Incentives/Tuition Reimbursement:** Police PBA and SOA get a per credit amount (\$22.50) with a maximum allowed per year (\$2,500). This amount is added directly to the base salary. A passing grade is required and books are reimbursed. The only other policy that exists, was found in two of the other contracts, calls for a 50% reimbursement with a maximum of \$300. The courses must be directly related to their work and successfully completed.

**Recommendation:**

**We recommend that the city discontinue the existing education/tuition policy and practice for Police PBA/SOA of adding that reimbursement amount to base salary.**

**We suggest that the maximum yearly reimbursement is overly generous and that reimbursements not include books. The city might consider maximizing the benefit by tying it to the per credit rate charged by Rutgers, the State University of New Jersey, as the state government does. There should be some individual incentive to pursue additional education without the city being expected to pick up the full cost.**

*Uniforms:* Most police and fire contracts call for \$925 per year, added to the employees' base salary. Exceptions include the Housing PBA employees who get \$750, as do police civilians, police motor pool and DPW supervisors. Deputy fire chiefs get \$920 added to their base salaries. Firefighters get a lump sum of \$675. EMT's get \$600, DPW blue gets \$800, engineering gets \$460, health \$350, and crossing guards have their uniforms provided by the city. There is no indication of any required verification that money is actually being used for such purposes, which means that there is no direct evidence that this public money is utilized for anything other than as an additional monetary benefit.

**Recommendation:**

**We recommend that the city consider discontinuing the policy of paying uniform allotments and bid the service instead. At the very least, these allotments should not be added to base salaries.**

*Longevity:* Most of the contracts provide for longevity after five years of service. Increases are based on five year increments of additional service. Typical percentages are 2, 4, 6, 10 and 12 corresponding with 5, 10, 15, 20 and 24 or 25 years of service, respectively. Police SOA, fire captains and mechanics, battalion and deputy chiefs get percentages of 2, 4, 6, 12 and 14. The city spent approximately \$2,839,443 on longevity payments in FY96.

**Recommendation:**

**We recommend that the city eliminate the provision of longevity to all employees at a savings of \$2,839,443. As an interim measure, we recommend that consideration be given to the manner in which longevity pay is provided. This would include payment in the form of a flat dollar amount, instead of a percentage, and a lump sum payment once per year, instead of as an addition to salary. These changes would result in cost reductions in the compounding of percentage increases and pension and overtime costs tied to salaries that now include longevity amounts.**

**Cost Savings: \$2,839,443**

### **Miscellaneous Labor Contract Provisions**

Contracts include provisions that the team has serious concerns regarding: union delegate business (conventions, negotiations), office space, grievance arbitration, language that purports to bind future governing bodies to contractual benefits beyond the terms of the contracts, and the assignment of up to four members to be assigned to the day tour but excused from duty w/o loss of pay or benefits to survey and distribute window security shield decals to businesses.

The PBA contract permits up to five union negotiators to be present during negotiations and these officers are assigned to the day tour during negotiation days. This requires that scheduling for those particular days be done in such a manner as to accommodate these individuals and provide them with the ability to represent their members without ever having to take their own time to do so. In addition, the associate president must be assigned to the day tour and placed in detective status.

A maximum of nine PBA appointed association delegates are excused from duty without loss of pay or benefits to attend an annual association convention.

The PBA contract also contains a provision that requires the city to provide an office with a phone for the sole use of the association's officers.

In addition, the PBA contract includes a provision under the retired employee section that maintains that certain provisions "shall survive the expiration of the collective negotiations agreement."

Grievance arbitration, though not statutorily required, is final and binding, even for non-police and fire employees in Paterson.

Though N.J.S.A. 40A:14-177 requires the leave of absence with pay to duly authorized representatives of various police and fire associations to attend any state or national convention of such organizations, it is silent on the number of representatives that is permitted or intended. There is no requirement, as well, to schedule officers representing union members for particular tours of duty, nor is there a particular number of representatives that must be permitted. Statutes do not require that union officers be afforded particular stature/title within the department. The provision of office space is also not required.

The team seriously questions the ability of a contract to be binding upon future governing bodies past the life of that contract, as the section on retiree benefits tries to provide.

Though many of these and other labor issues addressed in this report may indeed be mandatorily or permissibly negotiable under statute and/or PERC case law, they are not mandatorily required.

The team believes that excusing up to four members from duty for up to ten weeks to distribute window security shield decals to businesses is truly unnecessary. Calculating the average daily officer rate to an annual salary of \$47,283 provides a value of this provision of \$189,132, a luxury we believe this city can ill afford.

### **Recommendations:**

**We suggest that the city discontinue the separate use of officers for this activity.**

**Cost Savings: \$189,132**

**In light of the above issues, as well as other provisions contained in Paterson's labor contracts about which the team has serious concerns, we strongly urge the city to consider hiring a professional labor attorney for contract negotiations. It appears to the team that city officials have historically permitted overly generous benefits and provisions at great expense to the local taxpayer. We believe that the city needs professional, experienced guidance and legal expertise to lead the process of change in labor negotiations that is sorely**

**needed. We estimate that the annual cost of this much needed service during negotiations could be as much as \$200,000. This cost would well be offset by gains through negotiations.**

**Value Added Expense: \$200,000**

## **INSURANCE**

### **Health Benefits**

Approximately twenty years ago, Paterson was one of the first cities in New Jersey to leave the state's health benefits plan and form its own self-insured plan. Its rates compared to the state's plan are a bit higher, such that the city could save approximately \$200,000 by changing back to the state health benefits plan. However, the rules of the state plan may infringe upon the city's ability to contain costs through various incentives. The savings of \$200,000 may not be considered substantial by city officials on a \$7.6 million cost given the other cost containment possibilities that exist and can be negotiated with the unions under an independent insurance program. The city has the right to charge its employees for differences in costs more freely in an independent plan. The benefits of self-insuring should be weighed against:

1. A lower administrative cost found in the state plan; and
2. Potential benefits of insurance companies and Joint Health Insurance Funds as alternatives.

### **Recommendations:**

**If Paterson wishes to continue to operate outside the state health benefits plan, it should consider exercising some of the cost containment options available. In addition, the city should rely upon some individual or entity with expertise in the health care field to better manage its costs.**

**The city should consider pricing an insured program rather than remaining self-insured. The cost differentials between the two programs should be compared regularly. If the city's rates are close to the insured pricing structure, the city should consider the advantages of shedding the risk of being self-insured entirely.**

The city provides several HMO choices for its employees through Aetna/U.S. Healthcare. The prescription plan is with an independent prescription management company and the plan's costs were estimated to increase to approximately \$1.6 million for prescriptions for FY97. The city is self-insured in this area, as well, but they are not actively managing costs for prescriptions as drug costs continue to increase at double digit rates.

Since healthcare costs are such a large portion of a municipality's budget and the nature of the health care marketplace has been so volatile over the past decade, the review team has estimated savings based on the most recent figures available, rather than those attributed to FY97, the study year utilized for other estimates throughout the report. The city provided a bill from September 1997 and the team annualized the costs from the bill for the 1,478 covered employees. This analysis results in an estimated health care cost of \$7,598,173 for health insurance, \$534,856 for dental insurance and \$1,124,752 for prescription coverage. This yields a total estimated annual billing of \$ 9,257,781 for employees.

**Recommendation:**

**The city should be better managing its costs either through active utilization of a health care consultant or through the utilization of the vendors who are partnered with the city in its self-insurance plan. There are two tactics that the city could employ which could result in savings prior to employing a consultant, however. These include negotiating cost sharing with the employees and offering a preferred provider option as the city's plan rather than a traditional indemnity plan.**

Self insurance requires appropriate risk management, which should include regularly conducting claims audits in order to adequately measure whether or not the city is paying a fair and appropriate rate for health care. The city conducted such a claims audit at a cost of \$45,000 three years ago. The results of that audit led to prosecution of a principal of the former claims administrator and the discovery of an overpayment of approximately \$700,000, of which none has been returned by the claims administrator. The city then switched to Blue Cross/ Blue Shield in order to obtain the discounts found within the Blue's network.

**Recommendations:**

**We suggest the city conduct claim audits on a regular basis in order to be certain that it is not overpaying again on its claims.**

**We urge the city to pursue reimbursement of the \$700,000 owed by the former claims administrator.**

**Cost Savings Initiatives**

Cost Sharing: Paterson has tried to negotiate with its unions for premium cost sharing. As may be expected, the police and fire unions most notably have not agreed to any terms of this cost savings strategy. If the city were successful in negotiating a cost sharing of 10% of the total cost of health care premiums, the city would be able save about \$758,000 on its active employees. Another alternative would be for the city to charge 20% of the difference in costs between single coverage and husband/wife, family or parent/child coverage, which could save approximately \$532,485.

**Recommendation:**

**We urge the city's officials to continue to negotiate on the taxpayer's behalf and seek cost sharing alternatives to its health care benefits.**

**Cost Savings: \$532,485 - \$758,000**

Network Changes: There are also several strategies that the city could employ to reduce costs of administering the self-insured network. The city could negotiate for better rates with the insurer by making concessions on several factors, including limiting doctors in the network, aligning with one insurer for an overall rate reduction of approximately 3-5% (\$227,945 - \$379,909) and using the preferred provider option as a control where all employees have to pass through a “gatekeeper” rather than going to any doctor in a regular indemnity plan. The benefits of a preferred provider option are that it allows for preventative care and has low in-network costs. The total savings that a preferred provider option could result in is estimated to be \$379,909 to \$569,863, or a reduction of 5 - 7.5%. If employees wish to have an indemnity option, they should pay the difference between that option and the preferred provider plan.

**Recommendation:**

**We recommend that the city consider all possible healthcare plan options. The recommendations could result in an estimated savings of \$607,854 - \$949,772.**

**Cost Savings: \$607,854 - \$949,772**

Dental: The cost of the dental plan could be reduced through premium sharing as well. If the district were to negotiate a 50% premium sharing initiative with its employees as is currently done in the state for state workers, the city could save an estimated \$267,428.

**Recommendation:**

**We suggest that the city negotiate a 50% premium sharing option with its employees at an estimated savings of \$267,428.**

**Cost Savings: \$267,428**

Prescriptions: For prescription drug coverage, a variety of strategies can be employed to reduce and contain costs that are not presently being utilized. During calendar year 1997, the city spent \$1,567,066 on self insuring the prescription plan. If the city were to modify its pharmacy network arrangement as described below, the city could save 1-3%, or \$11,248 - \$33,743 on its pharmacy charges. Currently the city has co-pays on name brand and generic medications in the amount of \$4 each. If the city were to change these to \$3 for generic and \$8 for brand name, and drug utilization remained the same, it could save \$16,785. This change may also influence some employees to switch to generic prescriptions which can cost less than 50% of the name brand prescriptions, which would therefore lower total prescription costs further. Another approach that could save a significant amount of money is if a generic equivalent is available, the insured should be offered the generic drug. If the insured still wishes the name brand he/she should be required to pay the difference. The difference in costs between the prescription drugs and their equivalents was over \$200,000 in 1997.

**Recommendation:**

**We suggest the city consider changes to its prescription network arrangement.**

**Cost Savings: \$28,033 - \$50,528**

Also a point of contention has been the charging back of the co-pay portion of prescription claims by the insured against the indemnity plan which then allows the insured to reduce the out of pocket expenses of co-pays. This has resulted in increasing the costs of the indemnity plan accordingly. Disallowing prescription co-pay costs to be passed through the indemnity plan would result in further savings.

**Recommendation:**

**We suggest that the city negotiate out this co-pay charge back benefit since it is counter-productive to the indemnity plan's design. The city alternatively could set up IRS Section 125 accounts for savings to the employees. This exempts the employee from federal taxes on medical and childcare payments and co-payments. This could be part of the negotiation.**

There also was a dependence by the doctor toward name brand prescribing. Over 71% of the prescriptions were name brand specific and they accounted for almost 95% of the plan's costs. The city could implement a strategy that the third party administrator suggests for tightening up drug formularies. If a drug has a therapeutically equivalent brand option readily available, the prescription plan should be able to switch this prescription in order to provide equivalent products at lower cost. The city could save an estimated additional 10-15% over its total prescription costs (active and retiree), or \$112,475 - \$168,713.

Another point for the city to consider is that the retirees have a very generous benefit plan. Modifying the plan structure to reflect changes for retirees similar to those recommended for active employees would more fairly allocate cost savings. This can be done for all future retirees, but city officials should keep in mind that any benefit changes that affect current retirees would also result in significant savings. This is especially true for the drug formulary component of prescription cost containment. According to the plan administrator, retirees in this plan account for over twice the drug utilization than do active enrollees.

**Recommendation:**

**We suggest that the city seriously consider the prescription plan change regarding brand name drugs and modification of the retiree benefit as described above. Potential savings are estimated to be at least \$112,475 - \$168,713.**

**Cost Savings: \$112,475 - \$168,713**

**Workers' Compensation**

The team has reviewed the workers' compensation insurance portion of the city's general insurance program and has some concerns and related recommendations for improvement. We believe the city has been lax in enforcing a safe work environment by allowing the safety committee to become inactive and not ensuring safe practices throughout city operations. A review of the PEOSHA logs filed by the city and the loss run reports indicated that there were numerous instances where appropriate measures could have mitigated injuries. A review of the loss claim runs indicated repeated injuries of a similar nature for several functions including Housing Police, Public Works, Fire and EMT. To its credit, however, Paterson has switched third party administrators and utilized a managed care provider to reduce costs and attempt to get employees rehabilitated and back to work as quickly as possible. The city recently bid its workers' compensation insurance and saved approximately \$100,000 in reserves that were released. An adequate safety program that prevents work related accidents and resultant injuries would substantially support these efforts and improve the city's ability to reduce its workers' compensation incidences.

The city paid 100% of salary for all of its employees from the first day of work released injuries. The statute requires payment for workers' compensation only after seven days of injury and only at 70% of full salary up to the statutory maximum of \$562 per week. If the city were to limit its payments to only that required by statute, based on the 1995-96 coverage period, the city could have saved approximately \$89,355.

#### **Recommendations:**

**The city needs to develop and support a citywide safety program. One key step in this effort would be to reestablish the safety committee and assure that its function is made a high priority. City officials should also investigate the reoccurrence of injuries by location and groups to determine the reasons behind such injuries and subsequently plan to mitigate future occurrences.**

**We suggest the city only pay that compensation which is required under state statute for workers' compensation.**

**Cost Savings: \$89,355**

**Further, we suggest the city hire a qualified risk manager/safety officer to implement the safety program. The person should be knowledgeable of PEOSHA requirements and have solid experience in developing and implementing safety programs. We suggest this employee report directly to the City Administrator to assure citywide support and effect. The initial cost to the city is estimated to be \$40,000 - \$50,000, plus benefits (average 30%).**

**Value Added Expense: \$65,000**

#### **Property and Casualty Insurance**

The city should regularly review both its insurance and broker relationships for all insurance coverages. The property and casualty market is "soft" right now and testing the market would perhaps result in savings on the costs of the insurance. For instance, there are pooled insurance plans and joint insurance funds which are both seeking additional members in Northern New Jersey, which offer the city an alternative to traditional indemnity coverage. Soliciting brokers and JIFs and their differing methods of insuring the city every three to five years would invigorate the existing relationship by driving down costs and mitigating risk.

#### **Recommendation:**

**We suggest that the city solicit quotes from Joint Insurance Funds and other brokers regularly to ensure that the city identifies the lowest available cost.**

## **LEGAL**

#### **Organization/Staffing**

The legal department “is the legal advisor to the mayor, municipal council and all city departments, boards, commissions, authorities or agencies as otherwise provided by ordinance” as defined by the departmental overview report. The department consists of a corporation counsel, a 1<sup>st</sup> assistant corporation counsel, a chief municipal prosecutor, six assistant corporation counsels (two of whom have prosecutorial duties), and four support staff. Until very recently, there was also one additional full time attorney who worked in the department, but that position was not refilled when the attorney left the employ of the city. Of all the attorneys, only the chief municipal prosecutor is a full time employee of the city. All of the other attorneys are part time employees who work 21 hours per week and receive a full complement of employee benefits. A three year comparison of audited expenditures attributed to the legal department is as follows:

<b>Year</b>	<b>Salary &amp; Wage</b>	<b>S/W Reserved</b>	<b>Other Expense</b>	<b>O/E Reserved</b>
1996	\$460,393	\$13,333	\$28,156	\$6,799
1995	\$437,308	\$7,682	\$41,026	\$5,048
1994	\$425,672	\$1,400	\$26,334	\$2,666

In order to make the financial picture of the department more accurate, direct employee benefits should be appropriately charged to the department. For the year ending June 30, 1996, \$219,125 should be charged to the legal department for direct benefits to the staff. Therefore, the total cost of the department was \$707,674.

The legal department is responsible for virtually all legal aspects of municipal operations. The only areas of work that are contracted out to outside counsel are workers' compensation claims, tort claims, labor issues, bond counsel, and very recently, tax foreclosures. Below is a chart of all the areas of work that are contracted out and the associated costs for FY97:

<b>Type of Service</b>	<b>Contracted Price</b>	<b>Amount Paid</b>
Workers' Compensation	Flat Fee of \$85 per case	\$34,578
Tort Claims	\$65 per hour	\$279,997
Tort Claims	\$65 per hour	\$146,477
Labor Counsel	Not to Exceed \$10,000	\$10,071
Bond Counsel	Not to Exceed \$35,000	\$33,691
<b>Total</b>		<b>\$504,814</b>

\* Tax (In Rem) foreclosures have just recently been sent out to outside firms for FY98. The contracted cost for providing this service is \$30,000 per year.

The staff attorneys are assigned different departments/divisions for which they are responsible. This is done to enhance the attorney's knowledge and efficiency in dealing with the city's problems and to create open lines of communication between the line departments and the attorneys. The attorneys are charged with: 1) protecting the interests of the city, as well as prosecuting and defending actions and proceedings by and against the city and every city department; 2) advising city officials on all legal questions that arise; 3) reviewing, revising, and some preparing of resolutions or ordinances; 4) preparing and reviewing all contracts to ensure legality and to ensure that all the required documents are in place; 5) doing extensive research into all legal questions; and 6) monitoring the work that gets sent to outside counsel, and other various duties. At the time of the review, there were in excess of 600 open files or cases that were distributed among the city's attorneys.

It is to the credit of the city that they have such experienced and qualified staff to look out for the city's legal interests. This, however, has come at a great price. As stated earlier, each of the part time attorneys receive a full complement of benefits and time off, even though they are only scheduled to work 21 hours per week (it should be noted that the attorneys are said to average closer to 25 hours per week, with no additional compensation for that time). The team was told that the benefit package and scheduling utilized by the department are the only things that attract highly qualified attorneys to come to and work for the city. This might not be the case, however, in our opinion. The eight part time attorneys earn an average salary of \$36,441, or \$33.37 per hour. When this compensation is projected out to full time status, 35 hours per week, the average salary climbs to \$60,734 per attorney. According to the 1995 New Jersey Municipal Salary Report put out by the New Jersey State League of Municipalities, the salaries for municipal

attorneys in the surrounding counties of Passaic, Bergen, Essex, and Morris range from \$35,000 to \$68,341. The two highest salaries were \$64,344 and \$68,341 for a corporation counsel and law director respectively.

**Recommendations:**

**The city should complete a salary survey of the surrounding area to see whether the salaries paid to its attorneys are comparable to the surrounding area. Once this is done, city officials need to discuss whether it is beneficial to have such highly paid attorneys. Do the costs associated with the salary and benefits paid to the attorneys outweigh the minimization of risk and quality results produced by the office? Can less experienced attorneys be found and be trained to do the same level of work that is presently done?**

**Further, city officials should discuss whether it would be in the best interests of the city to change from part time attorneys to full time. Based on the current eight part time employees working about 25 hours per week, having a proposed six full time employees working 35 hours per week, and paying the full time attorneys an average salary (includes salary of the corporation counsel) in the range of \$40,000 (the approximate salary paid to the full time attorney who works as the chief municipal prosecutor), the city could save approximately \$77,891 per year by going to six full time attorneys, instead of eight part time attorneys.**

**Cost Savings: \$77,891**

As stated earlier, the legal department lost a full time attorney. This position was charged with handling all of the tax (In Rem) foreclosure work and disciplinary cases, and he kept an attorney presence in the office, to answer or direct any problems or inquiries that may have come up. This position paid a base salary of \$27,160 and a direct benefit cost of about \$13,645. The total direct cost for this position was about \$40,805. This person had become an expert in dealing with the disciplinary cases and applicable laws that arose from the city's operations. None of the remaining attorneys really have much experience in dealing with disciplinary cases, however, this caseload is being distributed among them. It is of concern to the legal department that they are not giving as much attention to these disciplinary cases as needed.

Also, as a result of the full time attorney position not being filled, the city council is sending all of the tax foreclosure work out to outside counsel. The tax foreclosure work that was performed by the in-house attorney was estimated to take about 20% of his time. The city is now paying approximately \$30,000 for this work to be done in FY '98.

**Recommendations:**

**The city needs to review whether it is in its best interest to avoid filling the aforementioned attorney position. The costs associated with not having the position filled, in the opinion of the LGBR, do not outweigh the benefit of having an attorney do the tax foreclosure work, be present in the office to deal with the public and city officials, and put the appropriate**

attention on the many disciplinary cases that come about within the city. The added cost of bringing back the full-time position is approximately \$10,805 per year over what the city is currently paying to have this function performed by outside counsel.

The city should also review whether it is cost effective to continue sending out workers' compensation, tort claim and other work to outside counsel, instead of hiring additional staff attorneys. For example, it is quite possible that in-house attorneys can be employed to do tort claim work at an hourly rate of less than the \$65 that was contracted for FY97. The city should exhaust all options to obtain the most cost-effective service for its constituents.

### **Competitive Contracting**

When LGBR asked the legal department if the city ever went out for request for proposals (RFP's) in its use of outside counsel, it was told that this did not occur. To clarify, however, the city is not required by statute to go out for RFP's. Outside counsel services are considered professional services, and as such, a municipality may choose a firm without benefit of bids or price quotes. The LGBR program is not implying that the services being provided are not at reasonable or market prices, however, the best prices obtained by a municipality usually occur when competition for the service is sought.

### **Recommendation:**

**It is recommended that once all of the city's professional service agreements come to the end of their term, the city solicit RFP's for all the services that it is seeking. In doing this, costs will almost assuredly be stabilized, if not reduced, because of the competition that is vying for the work.**

## **PUBLIC SAFETY**

### **Director's Office**

It has been common practice in Paterson for some time to appoint a public safety director. The purpose of the director of public safety is to oversee the operations of the police, fire, animal control and taxicab licensing divisions and to act as liaison between the municipality and its public safety operations. Operationally, the director's office provides administrative oversight for the personnel and budget operations of the divisions as well as public policy interpretation to address quickly developing issues. The office is staffed by a director of public safety and an administrative secretary. The salary and direct benefit costs of operating the office are \$110,032. The other expenses of the office are \$5,540 for a total cost of approximately \$115,572.

Many New Jersey municipalities have a public safety director. In Paterson it appears that the office of public safety director has a duplicated administration of police and fire with the appointment of a police chief and fire chief. In this instance there appears to be little justification for both chief positions and the public safety director position. We believe that this duplication is not necessary or prudent given the fiscal constraints of the city and the statutory limitations on authority over a chief of police.

### **Recommendation:**

**It is recommended that the office of public safety director, over time, be strengthened to perform the administrative and the policy functions now performed by the chiefs of police and fire. Upon retirement of the chief of police this position could remain unfilled or deleted from the organizational table.**

### **Animal Control**

The Animal Control Division is staffed by a chief and three animal control officers. The chief reports directly to the director of public safety. Within the year, the fourth animal control staff member will be officially certified as an animal control officer. One animal control officer has advanced certifications for specific functions such as the tranquilizer gun. Salaries and direct benefits were \$126,093 and other operating expenditures were \$78,400 for a total operating cost of \$204,493 in FY96. The final payment for the addition to the shelter was \$50,391 in FY96.

Total municipal revenues collected by the Animal Control Division including contract revenues were \$24,500 in FY96 and \$25,100 in FY97.

During FY96 Paterson Animal Control Division handled 3,176 dogs, cats and other animals. Of these, 1,125 (40%) of the 2,831 dogs and cats handled were adopted and 964 (34%) received euthanasia. In FY97 the numbers were 3,245 total animals with 993 of 2,850 (35%) dogs and cats being adopted and 991(35%) receiving euthanasia. In addition, 960 dead animals were picked up in Paterson in FY96 and 1,223 were picked up in FY97. The division runs an extremely successful rabies clinic. In 1996 they vaccinated 2,200 cats and dogs and that number increased to about 2,300 in 1997.

The newly expanded animal shelter has 28 kennels, three quarantine cages and 50 cat spaces. In addition, the shelter staff has two trucks and a car. The shelter hours are seven days per week, 7:00 a.m. to 8:00 p.m. Monday through Friday and 8:00 p.m. to 4:00 p.m. on weekends. The routine hours are staffed without overtime.

The division contracts with Haledon, North Haledon and Prospect Park to provide animal control services. These municipalities pay \$2,400, \$3,600 and \$2,400, respectively and accounted for 8%, 12% and 9% of the animals handled in FY96. These proportions changed to 9%, 9%, and 8% in FY97. They are planning to increase the fees charged to \$3,600 for each community next year. Contract communities reimburse Paterson directly for overtime costs incurred in their communities and that amount is reflected in the above revenue figures.

It appears that approximately \$1,800 was paid by contract communities for overtime while an additional \$12,000 was incurred for Paterson activities. Approximately 54% was for the chief animal control officer's overtime.

An estimated average per animal cost for the total operation in FY96 (this includes retrieving dead animals and rabies vaccines) is \$32.27. Actual estimated costs in each contract municipality would be:

<b>Estimated Costs by Municipality - FY96</b>				
<b>Municipality</b>	<b>Animals Handled</b>	<b>Cost per Animal</b>	<b>Total Cost</b>	<b>Revenue (Loss)</b>
No. Haledon	396	\$32.27	\$12,779	(\$10,379)
Haledon	279	\$32.27	\$9,003	(\$5,403)
Prospect Park	269	\$32.27	\$8681	(\$6,280)

In Morris County, St. Hubert's Giralda contracts with 27 municipalities and processes approximately 5,000 animals at a cost of at least \$1.5 million. Their fee for this service is currently approximately \$1.25 per capita. According to the agency's administrators, the basis of the fee is historical and clearly does not cover the costs of operation because the activity is consistent with their mission as a nonprofit. The cost of Paterson's operation is approximately \$1.27 per capita population currently served.

<b>Summary of Paterson Animal Control Activity - FY96</b>			
<b>Municipality</b>	<b>Population 1990</b>	<b>Animals Handled</b>	<b>Animals/Population</b>
<b>Paterson</b>	140,891	2,232	2%
<b>Haledon</b>	6,951	279	4%
<b>North Haledon</b>	7,987	396	5%
<b>Prospect Park</b>	5,053	269	6%
<b>TOTAL</b>	160,882	3,176	2%
<b>St. Hubert's</b>	230,000	5,000	2%

Dog license fees are \$9.70, \$7.70 for senior citizens and \$4.70 for spayed or neutered dogs. The charge for a pick up is \$5 for small dogs and cats and \$10 for big dogs for Paterson residents and double that for contract towns. Paterson charges \$4 per day to house a licensed pet. St. Hubert's Giralda's redemption fees are \$15 for the first

day and an additional \$10 for every day thereafter, so if an animal is housed for seven days the owner is charged \$75 versus \$42 in Paterson. Although it is not possible to calculate the exact revenue loss, it is clear from the information available that a significant amount of money could be collected with revision to the redemption fees in Paterson.

The chief animal control officer has become something of a celebrity because the National Humane Society and other organizations recognize him as running one of the best animal control programs in the country. Not long ago the Today Show came to Paterson to film the operation. This division has brought Paterson some well deserved positive publicity.

One of their most successful actions was a council approved initiative to allow local pet adoption organizations to pick up healthy dogs and cats from the shelter and take them for adoption. The volunteer organizations then handle the initial inoculations and help to find homes for the animals.

**The City of Paterson is commended for operating a successful and well perceived animal control operation. They are furthermore commended for contracting for services with the nearby towns.**

**Recommendations:**

**Based on admittedly rough calculations of cost, however, it is estimated that Paterson is losing more than \$20,000 on its contracts with these other communities. It is therefore recommended that Paterson raise its rates to an amount that more closely reflects the actual costs of providing the service.**

**Revenue Enhancement: \$20,000**

**Paterson is prevented from providing the service to additional communities by the size of its facility. Paterson and its neighbors are encouraged to look into a more fully regionalized approach to animal control with Paterson as the service provider and with some capital investments built into the operation so that the facilities could be expanded to handle a larger volume.**

**It is also recommended that animal control be moved to the purview of the Police Division or to the Health Department in order to assure the supervision and accountability of the operation while incorporating it more closely into broader direct public service functions of the municipal government.**

**We suggest the city hire a part time animal control officer to enable a more experienced animal control officer other than the chief to be available for supervision and handling of more complicated situations during scheduled hours when the chief is not scheduled. This action would improve the productivity of dollars expended and decrease the overtime costs.**

**It is recommended that an annual dog census be performed in compliance with state regulations.**

**Finally it is recommended that the pick up fees, the daily fee for holding the pet and the dog license fees all be reviewed for appropriateness in relation to actual costs and regulations.**

**Revenue Enhancement: approximately \$25,000 - \$100,000 depending on how long animals are held and how many are actually picked up by their owners.**

**Taxicab Licensing Division**

The salary and direct benefit cost of the Taxicab Licensing Division totaled \$38,678 in FY96. Staffing consisted of one inspector/director until FY98 at which time they added an inspector at a salary of \$15,500 which, including benefits, amounts to \$17,748. Other expenditures amounted to \$6,618 for a total cost of \$56,426.

The division's responsibilities include inspecting a maximum of 65 taxicabs and 65 limos/autocabs three times per year as well as assuring that all vehicles for hire are licensed and operated in accordance with municipal regulations. They currently have only 44 issued licenses. The division estimated that they issue about 500 tickets

per year for unlicensed cabs as well as other violations. Revenues raised by the division include \$200 per vehicle and \$28 per driver's license, as well as \$350 for operating a failed vehicle.

**Recommendations:**

**It is recommended that this function be absorbed by the Police Division, under traffic or community policing, instead of maintaining it as a stand alone division.**

**It is recommended that the number of inspectors be reduced to one because once absorbed into another division, additional support and direction can be added as needed rather than staffing to the highest level demand at all times.**

**Cost Savings: \$17,748**

**It is recommended that the remaining inspector be given other compatible civilian traffic/community policing duties as well. This should result in increased productivity and effectiveness and enable taxi related issues to be evaluated and addressed in the broader context of the community. We estimate that the broadening of the inspector's responsibilities would produce a productivity increase of at least 25%, valued at approximately \$40,000.**

**Productivity Enhancement: \$40,000**

**It is recommended that the 96 licenses currently not issued be advertised for sale to the public. An increased number of licensed vehicles in the community will amount to improved service and enhanced competition. Assuming that all licenses are sold at current rates, we estimate increased revenue potential of \$19,000.**

**Revenue Enhancement: \$19,000**

## **POLICE**

The Paterson Police Division was reported in the 1996 UCR to have 356 uniformed officers and 75 civilians. Of this number, 17 officers are funded with COPS Phase I grant moneys and six officers are funded with Safe and Secure grant moneys. In 1996 police salary and benefit costs totaled \$26,838,512 with other expenses of \$1,727,996, for a total expenditure of \$28,564,508 on all police operations. This amounts to 33% of the city's total salary and benefit costs. Grants totaling \$796,238 helped defray the salary expenses of 23 police officers.

As background to reviewing the Paterson Police Division, we identified five other police departments from communities with some similar characteristics. These communities are: East Orange, Elizabeth, Jersey City, Passaic, and Trenton. All have similar median incomes and are densely populated urban centers in northern or central New Jersey. Paterson compares very favorably to each of these communities. Because Paterson is also classified as one of the "Urban 15" and one of the six "Major Urban" communities, Paterson also compares favorably to those communities. Tables A, B and C at the end of this section detail the comparisons.

Our conclusions from the comparative statistics are corroborated by team observations of police officers in the field and the approach taken by both the police chief and high level supervisors in providing police services to the community.

### **Organization**

One area of concern expressed by many parties during the review was the appropriateness of the level of patrol staffing in Paterson. To look at this, the team required detailed statistics, which currently are not readily available from the division's computer aided dispatching system. Therefore, a decision was made by the team to review the available information and develop a recommended level of patrol staffing. Paterson reported the receipt of 216,970 calls for service. This number was revised by the team to exclude ordinary phone calls to the division. The result was an estimate of 168,777 actual calls for service. Based on this number the team determined the required patrol

staffing to be 219 officers. A, B and C watch patrol officers actually available during the months of July and August were 140, but with revised organization and acknowledging the fact that the Task Force (29), Traffic (15), Community Policing (17) and Housing Police (28) all respond to calls, it is likely that the patrol staffing is adequate. All of the functions total 229 patrol level officers.

A plan for revising the organization of the patrol operations along geographic lines that would make patrols more responsive to the community had been developed at the time of our review. However, there does not appear to be a compelling argument for changing the organization to a geographic focus. However, the goal of developing a patrol operation with a community oriented policing philosophy is one that we endorse. Another aspect of the plan that is supportable is combining traffic and community policing because this should enable the division to focus those resources more generally in support of patrol. This realignment should also allow a reduction in the number of superior officers by one captain, two lieutenants and a sergeant.

Combining narcotics, special investigation, juvenile and all other detectives into one organization would also allow a reduction of one captain, two lieutenants and a sergeant and should still maintain integrity of the squads.

Internal affairs and staff inspections should be combined into a professional standards section that reports directly to the chief of police. This organization should consist of one captain, two lieutenants and three patrol level officers. Internal affairs currently operates with detective status which is appropriate to their duties. This proposed change amounts to an additional lieutenant and one less sergeant than exists in the current organization. The inspection function is currently not being performed but it is a function that is integral to assuring compliance with police rules and regulations.

In addition, merging the housing police with the Police Division would assure appropriate direction and more efficient use of resources. This concept is discussed in detail below.

#### **Recommendation:**

**The reorganization outlined above would result in a net reduction of two captains, three lieutenants and three sergeants. If these positions are simply reduced in rank to patrol officers the savings is estimated at \$157,724. If the positions were deleted altogether, then the savings would be \$535,192. If these positions are retained it is recommended that they be dedicated to community-oriented patrol.**

**Cost Savings: \$157,724 - \$535,192**

#### **Housing Police**

Paterson has the last separate housing police operation in New Jersey. In the 1996 payroll they had 31 patrol officers and eight superior officers for a total of 39 employees. The total salary cost of the operation in FY96 including direct benefits was \$2,147,000 plus other expenses of \$98,875, bringing the total operating costs to \$2,245,875. A recent lawsuit settlement and contract re-negotiation will increase these costs substantially.

Housing officers patrol and respond to calls from 6:00 p.m. to 2:00 a.m. in four large multi-family developments and six senior citizen complexes. In the month that we reviewed they produced 64 proactive patrol activities such as field interviews, license plate checks and warrant checks. The general patrol activities produced four drug arrests and 38 other complaints and summonses. When the housing police are not available, the city police respond to and patrol the areas. When the productivity of the housing police is looked at in relation to A, B and C watch and community policing during the same month there is cause for concern. The per officer productivity of the housing police is just under four activities compared to a range between 29.52 and 59.14 activities per officer for city police. The table below provides more detailed information.

<b>Paterson Police/Housing Activity Comparison for July 1997</b>					
	<b>Housing</b>	<b>Patrol A</b>	<b>Patrol B</b>	<b>Patrol C</b>	<b>Community</b>
<b>Patrol Officers</b>	31	48	46	46	21
<b>Superior Officer</b>	8	11	10	11	6
<b>Proactive Patrol Activities</b>	64	857	1272	839	532
<b>Arrests – Drug</b>	4	18	5	5	691
<b>Complaints/Summons</b>	38	542	521	509	19
<b>Total Activity</b>	106	1417	1798	1353	1242
<b>Activity per patrol officer</b>	3.93	29.52	39.09	29.4	59.14
<b>Activity per all officers</b>	2.71	24.02	32.11	23.74	46.00
<b>Personnel Sick</b>	0	7	17	10	2
<b>Sick Days Used</b>	51	18	52	27	18
<b>Injuries</b>	1	2	5	5	1
<b>Injury Days used</b>	17	8	8	44	4
<b>Total Days lost</b>	68	26	60	71	22
<b>Days lost per patrol officer</b>	2.19	.54	1.33	1.54	1.05
<b>Days lost per all officers</b>	1.74	.44	1.09	1.24	.81

The housing police are trained to the same degree as patrol officers. They are predominantly residents of Paterson. Their function is similar to that of the community policing and/or patrol officers. They would benefit from the additional career and training opportunities available in the Paterson Police Division as well as the depth of experience found there. In addition, we believe the City of Paterson has an obligation to increase the productivity and supervision of these officers.

**Recommendation:**

**It is recommended that the housing police be merged with the city police division either under patrol or community policing, or both. Although there are some difficult obstacles, the team feels that the overall benefit to the community outweighs any obstacles and that those obstacles are surmountable with adequate effort. Without replacement of the superior officers, the savings could be as much as \$438,078. If the productivity of the housing police is brought up to the level of the city police, Paterson could realize a productivity enhancement of 87% on its \$1.7 million expenditure on housing police salaries and direct benefits.**

**Cost Savings: as much as \$438,078**  
**Productivity Enhancement: as much as \$1,479,000**

**Extra Duty Assignments**

An area of extreme concern to the team in the operations of this division is the handling of off duty or extra duty assignments. The procedure for assigning off duty work has been characterized as haphazard, as a client walking in, speaking to the first officer the person sees and that officer selecting a group of officers to fill the commitment. The PBA maintains data as far as hours worked and pays the officers. An examination of a week’s worth of this data indicates a lack of formality and an absence of some appropriate procedures (i.e. people working the hours sign the time sheet). Operationally, the current situation exposes the division and the city to potential liabilities on several fronts and appears to be in conflict with several formal opinions from state regulatory agencies.

These relevant opinions are excerpted as follows:

State Attorney General Formal Opinion 23-1977:

“...It is therefore clear from this definitional section of the Act (Private Detective Act N.J.S.A. 45:19-9) that in any instance where provision is made with a municipal police department to secure the services of a regular police officer for those purposes during his off-duty hours with remuneration channeled through the municipality, the police officer would be acting in his official capacity and would fall within the exemption to the licensing requirements of the act....*you are therefore advised that only those police officers privately employed on their own account during their off-duty hours would incur interdiction of the Private Detective Act. Regular members of the police department may engage in police related activities for private persons or entities during off-duty hours where arrangements are made with the employing municipality to use them in this fashion.*”

Department of Treasury, Division of Pensions memo dated August 1989:

“The primary question which arises with respect to off-duty or outside employment of police officers is whether or not they are covered by the accidental disability and accidental death provision of PFRS and PERS. It is clear from the pension statutes that for a police officer to be covered, the officer must be performing regular or assigned duties for his employer, which is participating in the retirement system. Indications include the following:

1. The officer is considered to be on-duty by the department.
2. All the aspects of the employer-employee relationship between the officer and the department are applicable to a particular duty.
3. The officer is receiving regular compensation for the duty on a regular or overtime basis.

*The key to coverage under the retirement systems is that the police officers must be working for their employing departments on the same basis that they normally work and be receiving their regular compensation on either a regular or overtime basis.”*

In addition to the implications of the above opinions, the liability exposure of a municipality in which police officers are wearing uniforms and/or using the equipment of the municipality without appropriate supervision and control is alarming. In addition to the obvious concerns relating to supervision, lack of control of work hours could result in injury or poor decision-making and the lack of coordination of resources could result in dangerous miscommunication.

In Paterson in a one year period, 19 complaints were filed; approximately four lawsuits were filed; and 70 officer days were lost through six officer injuries, all relating to off-duty police activity. These are expenses being borne by the city with no remuneration. The lost productivity from the injury days alone was at least \$15,000.

Data provided by the department indicates that the 1996 off-duty hours worked were 103,625, or an average of almost 2,000 hours per week. In one week analyzed by the team in 1997, based on data provided by the PBA, at least 1,347 off-duty hours were worked by more than 100 officers. Of those officers, at least 19 worked 20 or more hours potentially bringing their total hours worked in one week to 56 or more when city work hours are added. Of those, more than ten officers potentially worked 60 hours or more during that week. The lack of detail and consistency in the documentation prevents us from being more exact with the figures.

An off-duty employment program should be a function of the Police Division and should include a fee in addition to the hourly rate which would cover the costs of administering the program, as well as any costs incurred by the city for issuing the payroll, supervision, and liability related costs such as those outlined above. The average fee ranges between two and eight dollars per hour in other communities. In addition, the system should be established in such a manner that assures supervision by police officials and requires leadership of the division to determine whether the extra duty assignment is appropriate in terms of number of hours to be worked by an officer in total and the service/discipline record of the officer. In addition, all assignments should be subject to a contract between the organization requiring the service and the city, which holds the city harmless for liability relative to the off-duty employment.

It should be noted that this issue has been raised and discussed at length with city officials without implementation of the necessary improvements.

**Recommendation:**

**The City of Paterson is strongly urged to take all steps necessary to implement an off-duty employment program that is in compliance with state regulations; that allows for appropriate oversight and supervision by the Police Division; and that recovers the costs the city is already bearing as well as the costs that will be incurred by city management of the program. Depending on the impact of the administrative fee on the demand for service, potential revenue could be as much as \$200,000 - \$800,000.**

**Revenue Enhancement: \$200,000 - 800,000**

**Productivity Enhancement: A well run program will result in less lost time, fewer complaints and improved productivity on the part of affected officers.**

**Value Added Expense: \$100,000 to cover one full time clerical and part time oversight by an officer in the office of the chief of police.**

**Administration**

The administrative operation, which is defined in the Paterson Police Division as all non-personnel expenditures, is an area in which it is clear that every effort has been made to contain costs and assure the most effective and cost efficient expenditure of public moneys. Some examples of the accomplishments of this unit include:

**Radio Losses:** Addressed the department's 25% radio loss rate by instituting strict accountability procedures and improving the cost effectiveness of the maintenance contract to produce annual savings of \$25,000.

**Forfeiture Vehicles:** Changed the division's procedures for handling forfeiture vehicles to maximize the value obtained. Instead of immediately auctioning the vehicles, they are used for police business until maintenance outweighs the value of the car and then the vehicles are packaged for resale and repurchase from a used car vendor. For example, the division would package four originally forfeited vehicles worth \$15,000 each and trade them in for eight less expensive vehicles; when those vehicles needed to be replaced, the division packaged them and traded them in for other vehicles until they only had one vehicle remaining with no real value. This practice allows the division 100% of the use of the value of the vehicles (\$60,000 in the example) where previously 27% (in this example \$16,200) of the auction proceeds on the originally forfeited cars would be turned over to the County Prosecutor's Office.

**Vehicle Maintenance:** The city hired a maintenance supervisor from the private sector and worked with him to reduce maintenance operating costs by \$150,000 a year while improving fleet readiness. This was accomplished by performing some activities in-house, mandating appropriate levels of service from vendors and competitively bidding services. One fleet readiness improvement and cost savings effort was related to the replacement of windshields. Previously the vehicles were returned to the dealer for new windshields, however, the cars would frequently be driven back before the windshield had set properly and they would then leak. Windshields are now replaced at the Paterson police garage for a cost significantly less than that which was being paid, and the cars are being allowed to sit until the windshield sets properly so the repair will last.

### **Communications**

Fire and EMS generate about 31,000 calls and police generate 248,850 phone calls, 168,777 of which are actual calls for service. Police currently answer all 911 calls and when appropriate, transfer them to the fire division. Police communications' salaries and direct benefits cost \$766,445 for civilians and \$415,474 in permanently assigned uniform salaries in 1996, with fire communications costing \$344,554 in both civilian and uniformed salaries and direct benefits in the same period. Total 1996 salaries and benefits for both communications' operations were \$1,526,473. Fire has two people on its console at all times and police currently operate with three call takers and two radio operators. This translates to 1.77 and 5.68 calls per hour per dispatcher for fire and police, respectively. Review by the team of the police communications' operation leads to the recommendation that the number of dispatchers be increased. If the two functions were combined and integrated with a total of seven people, two as call takers and five dispatchers having consoles, this would amount to 4.57 calls per hour, or an average of more than 12 minutes to handle each call.

### **Recommendation:**

**We recommend that the city civilianize and integrate police and fire communications to increase productivity and decrease costs. This would mean decreasing patrol officers in communications by two and increasing the total number of communications' operators by two to 36. This would result in a small cost savings. Productivity gains could be realized in as much as 20,000 additional calls being handled.**

In Jersey City, the police department has successfully implemented a response alternative program in which police reports are taken over the telephone instead of dispatching a unit to every call. The percentage of reports handled this way is currently 40% and is expected to increase to 60%. This has been successfully used to keep units available for more calls requiring an immediate response and the public is satisfied because their lower priority needs are met in a more timely manner. The turnaround on low priority calls would be quicker. Initially between 42,194 (25%) and 67,510 (40%) calls can be expected to be handled this way. In addition, more cars would be available more quickly for priority calls.

### **Recommendation:**

**We suggest establishing a policy for referring low priority calls to report takers supervised in the records unit. The report takers can be light duty police officers who have previously been used in communications. Paterson averages four light duty officers daily.**

Communications' operator salaries in Paterson appear to be low and are identified by both police and fire to be the cause of an inability to get and keep the most productive operators. In police communications, the average salary of all but the chief communications' operator is \$20,125. The average tenure is 7.42 years. This average tenure comes down to 6.6 when the one person with 24 years is removed from the calculation. The median tenure is six years and only two operators in police have been there for more than ten years. In fire, the average salary is \$21,963 and the average tenure is just under five years. The median tenure is two years and the median salary is \$16,984. Three of the fire communications' employees have worked there more than ten years. In two of the towns the team used for comparison, dispatchers started at \$22,000 and \$26,000.

**Recommendation:**

**Increase civilian public safety communicators' salaries to an average of \$25,000 to make them competitive with equivalent employers.**

**Value Added Expense: Maximum of \$10,000 net all staffing changes**

**Comparison**

The charts below compare the Paterson Police Division to three categories of comparable police operations. Paterson is compared to the high, the low and the average for each indicator. The bolded number indicates the best situation for that indicator based on being either fiscally conservative or effective.

<b>A. Paterson versus 6 Comparable Communities</b>				
<b>Criteria</b>	<b>Paterson</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
<b>Population per Officer</b>	358	<b>376</b>	223	298
<b>Officer Per Square Mile</b>	48	70	<b>47</b>	51
<b>Crimes Per Officer</b>	22	<b>26</b>	17	22
<b>Crime Per 1,000</b>	61	87	<b>61</b>	74
<b>Violent Crime Rate</b>	12	20	<b>11</b>	15
<b>Nonviolent Crime Rate</b>	49	62	<b>49</b>	59
<b>Total tax Levy Per Capita</b>	661	969	<b>486</b>	711
<b>Change in Crime Index Crimes 93-96</b>	-26	-3	<b>-26</b>	-17

<b>B. Paterson versus "Urban 15"</b>				
<b>Criteria</b>	<b>Paterson</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
<b>Population per Officer</b>	358	<b>613</b>	207	294
<b>Officer Per Square Mile</b>	48	119	<b>2</b>	22
<b>Crimes Per Officer</b>	22	<b>37</b>	9	23
<b>Crime Per 1,000</b>	61	134	<b>35</b>	72
<b>Violent Crime Rate</b>	12	34	<b>3</b>	14
<b>Nonviolent Crime Rate</b>	49	100	<b>24</b>	58
<b>Total Tax Levy Per Capita 1991</b>	681	1346	<b>486</b>	899
<b>Change in Crime Index Crimes 93-96</b>	-26%	+1%	<b>-26%</b>	-13.6%

<b>C. Paterson versus 6 “Major Urban” Communities</b>				
<b>Criteria</b>	<b>Paterson</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
<b>Population per Officer</b>	358	<b>358</b>	207	266
<b>Officer Per Square Mile</b>	48	57	<b>30</b>	46
<b>Crimes Per Officer</b>	22	<b>30</b>	17	24
<b>Crime Per 1,000</b>	61	134	<b>61</b>	93
<b>Violent Crime Rate</b>	12.	34	<b>11</b>	20
<b>Nonviolent Crime Rate</b>	49	100	<b>49</b>	73
<b>Total Tax levy Per Capita 1991</b>	661	969	<b>486</b>	711
<b>Change in Crime Index Crimes 93-96</b>	-26	-3	<b>-26</b>	-17

## **FIRE**

The Paterson Fire Division consists of seven stations housing eleven front line pieces of apparatus and ten companies on each of four tours. They responded to approximately 5,314 fire calls in CY97. Of those calls, 1,068 were for actual fires and 18 of those were multiple alarm fires. The total 1996 salary and direct benefit cost of fire line operations was \$18,670,000 plus more than \$600,000 in other expenses. At a total of more than \$19,000,000 this translates to a cost greater than \$3,600 per call or almost \$2,200 per hour to operate. Given these calculations, the cost and size of this division require that it be looked at carefully for either cost savings opportunities or productivity enhancements.

The Insurance Services Office (ISO) rating for Paterson is a very good three out of a possible ten, and this is similar to the comparison cities. Three of the 15 Major Urban communities have a two rating and three have the 4/9 rating, the remaining eight have a three rating. Though this is a good rating, the rating review was last conducted for Paterson in 1989.

Although a 1996 DCA report on the Paterson Fire Division was silent on whether the number of stations, fire companies and apparatus were appropriate, we believe a detailed review would reveal opportunities for savings by consolidating the number of stations and companies and, thus, fire fighting staff. This assumption is validated by a review of the capacity of the current configuration of resources. The average response to a call is 12 people or three companies; the number of calls averages out to one fire call every 99 minutes; and the average length of a call works out to about 23 minutes. Based on these figures the current capacity is calculated to be nine calls per hour if the workload were evenly distributed. If the current level of calls were evenly distributed they would amount to .6 calls per hour and thus they have an average unused capacity of 8.4 calls per hour.

### **Productivity**

There are several opportunities for improving the productivity of the firefighters, which will be discussed in detail in the related sections. One option is to have all firefighters operate as first responders. A second option is to use firefighters more actively for fire prevention activities, from proactive pre-planning inspections to those functions being handled exclusively by the “combustibles” staff. A third option would be to train line firefighters to support the training and safety function. The cost of an instructor for the fire inspector course is estimated to be approximately \$1,200 for a 45 hour class for 20 students. If all line personnel were trained, the total cost would be approximately \$12,000. In addition, with careful scheduling and planning, the training could be accomplished during the fire fighters’ normal hours of work.

### **Recommendation:**

**We suggest the city provide all necessary training of fire personnel and develop a system for integrating firefighters into other fire related functions such as fire prevention and inspections, safety and training and**

**first responder. This will require significant labor contract changes, but we believe this would be in the best interests of the taxpayers.**

**Value Added Expense: \$12,000**

**Schedule**

The fire division operates on a one 24-hour day on, three 24-hour days off schedule. A significant drawback of this schedule for Paterson is the fact that there is no ability to staff to the difference in the volume of calls received during particular time periods. In Paterson, 48% of the calls are received between 1:00 p.m. and 8:00 p.m. and 20% of the calls are received between midnight and 6:00 a.m. This means that firefighters are more than twice as productive during 1:00 p.m. and 8:00 p.m. as they are during the hours of midnight and 6:00 a.m.

**Recommendation:**

**It is recommended that the schedule of one 24 hour day on and three days off be viewed mainly as a benefit to the firefighters that carries with it a real operational cost. The city may eventually wish to modify this schedule.**

**Fire Leave Time**

Probably the most costly practice in the fire division is charging vacation and sick days in days instead of hours. Assuming the lowest number of days of vacation (12), knowing that a 24 hour day is roughly equivalent to three regular eight hour working days, vacation in the fire division is three times the norm. The value of 24 additional vacation days for 242 firefighters is \$861,501 or the equivalent of 21 full time firefighters. This cost spread over the entire division is equivalent to \$1.2 million in salary and benefit costs, or 31 full time fire fighters.

**Recommendation:**

**It is recommended that all leave time be calculated in hours rather than days as a reasonable benefit and that this current cost be taken into account, along with schedule revisions when determining necessary staffing levels.**

**Cost Savings: \$861,501**

**Sick Time**

The Paterson sick leave policy has historically been one of unlimited sick leave being granted as needed. Every sick leave day in the fire division requires a doctor's note. This policy appears to be effective in maintaining a low level of sick leave use. During the first five months of 1997, a total of 28 absences amounted to 160.5 total days which is equivalent to 481.5 8-hour days. Annualized, this averages to 3.24 days off per employee division-wide. Though not necessarily the case in every community, this policy appears to work well because it is appropriately managed and controlled in Paterson.

**Organization**

The fire division has operated with three changes of the acting chief within two years. The result has been an organization that makes progress and changes with difficulty. A permanent chief has finally been identified and this is a positive step. We view it as very important to implementing the changes needed to make the fire division as effective and as cost efficient as possible.

As mentioned earlier in this section, the team believes that a detailed analysis of the existing configuration of fire stations, companies and apparatus would show that the number of stations, companies and apparatus could be reduced. Because our resources are limited, this organizational analysis of the fire division is limited by the assumption that the current number of stations, companies and apparatus are appropriate. This may, however, be an area for further review by the city at some future point in time once operational issues are fully addressed.

The current organization is depicted in the table below.

	Staff	Line	Total
--	-------	------	-------

<b>Chief</b>	1	0	1
<b>Deputy Chief</b>	2	4	6
<b>Battalion Chief</b>	2	9	11
<b>Captain</b>	4	52	56
<b>Fire Fighters</b>	7	158	165
<b>Mechanic</b>	1	0	1
<b>Clerical</b>	2	0	2
<b>Total</b>	19	223	242

The fire division includes six deputy fire chiefs each responsible for a fire station, however, each station is also staffed with a battalion chief who has command responsibility.

Discussions with fire division leadership caused the team to conclude that the deputy chiefs and the battalion chiefs have overlapping responsibility for the command of the fire stations. In addition, the civil service specification for a deputy chief indicates it is an administrative support position to the chief that rarely is involved in direct line operations.

**Recommendation:**

With a strong, visionary fire chief as a starting point, it is our recommendation that the organization be streamlined to increase control, clarify communication and create a rational span of control. The table below depicts the revisions suggested. Basically, we recommend that in addition to the chief, there be one deputy chief who functions as the executive officer. We suggest there be two battalions in each tour for a total of eight battalions and, therefore, eight battalion chiefs as well as a ninth for "combustibles." We recommend 12 captains on each tour to assure that there are always ten captains available for each of the ten companies for a total of 48 line captains. Further, we suggest there be 40 fire fighters on each tour, leaving one reserve for each company, or two for each station, or six to eight for each battalion for a total of 160. Staff operations would include a captain for communications, a captain for training, and a captain for EMS (if one assumes no changes in the EMS structure.) Five fire fighters are currently reserved for combustibles but as all line personnel become trained it may be possible to absorb them into the line operations or cut those positions altogether. This organization would allow a reduction of 12 uniformed personnel.

**Cost Savings:** If all reorganization changes were implemented at once, the savings would be more than \$500,000 annually.

Revised Organization	Staff	Line	Total
Chief	1	0	1
Deputy Chief	1	0	1
Battalion Chief	0	9	9
Captain	3	48	51
Fire Fighters	5	160	165
Mechanic	1	0	1
Clerical	2	0	2
<b>Total</b>	<b>13</b>	<b>217</b>	<b>230</b>

**Combustibles and Fire Prevention**

The combustibles and fire prevention office is responsible for the state required New Jersey Fire Incident Reporting System (NJFIRS) reporting, life hazard inspections, local inspections, fire cause investigation and fire prevention. The office is staffed by a deputy chief, a captain, four uniformed investigators and four civilians. They are responsible for 719 life hazard inspections and 1,296 local inspections in addition to fire prevention and fire cause investigations. In FY96 the revenues collected were \$72,745. The cost of the operation was \$615,623 in salary and other expenses in 1996. The dedicated revenues pay for the civilians and other expenses and were used to purchase the computer system during FY96.

The office implemented and supports an automated information system. The system is still being fine tuned but it generates numerous reports that will prove to be very useful in the management of the fire division. Fire prevention appears to be done as personnel have time. A safe house -- a trailered example of a house and its fire hazards -- was recently purchased with grant funding. It is geared toward fourth grade students and there is concern about how to make the best use of it because the division does not believe it has the staff for it.

**Recommendation:**

Because of the high cost of the personnel in this function, it is recommended that the uniformed staffing be streamlined and focused on directing the efforts of trained front line firefighters. The numbers are incorporated in the overall department staffing discussion but the recommended staffing is a battalion chief, five inspectors and four civilians. It is further recommended that each of the uniformed officers be trained and made responsible for NJFIRS, investigations, fire prevention, life hazard unit (LHU) inspections, and local inspections.

**Training and Safety**

One captain is assigned to training and safety and is responsible for developing and overseeing all drills, establishing all safety and inspection procedures and maintaining the relevant records. The issues seen surrounding this task were:

- The division had been cited in several areas for failure to comply with state safety and training regulations in FY96.
- There was no budget for training which can be construed as no plan for training.
- There was concern that the captain was not in a position to assure that drills were undertaken and safety precautions were enforced at the company level.
- Limited staff resources were preventing timely implementation of basic safety programs.

Efforts are being made to comply with National Fire Protection Association Standard 1500. During 1997, in addition to drills and training, the captain for safety and training initiated testing and certification of all ladders and all hoses and was in the process of implementing monthly equipment safety check reporting by companies.

Safety activities are still reactive. As the training officer was implementing the ladder and hose inspections, a fire fighter received a shock from an electrical cord. All electrical cords were then inspected and upgraded and now must be inspected by the companies on a regular basis.

In a second instance a fire fighter almost died from respiratory failure from inappropriate use of his SCBA. Personnel were re-trained and all SCBA life histories were brought up to date.

The training office has undertaken several programs that are commendable and noteworthy. They include:

- Provided officer training for newly promoted captains, the result of which was a better understanding of state and federal regulations which in turn generated more support and cooperation.
- Complied with a N.J. Department of Labor requirement for training regarding high voltage contact by having a seminar conducted by an instructor from PSE&G.
- Used the police division's defensive driving instructor to present the program to the fire division.
- Presents CPR training every Friday and makes it available to police and EMS personnel as well as firefighters.
- Works cooperatively with the Passaic Valley Water Commission to have all hydrants inspected regularly by the fire companies. This helps the fire companies maintain familiarity with hydrant locations and the fire division to work closely with the water company to expedite repairs.
- Provides confidential health screenings for pulmonary health at St. Barnabas Burn Center, and for cholesterol and blood pressure screenings, through the local health department, on a voluntary basis, to all firefighters.
- Implemented training for members of the Passaic County Mutual Aid Association in order to familiarize them with the city's fire operations.

#### **Recommendations:**

**One of the most significant steps the new chief can take is to make safety a function of the Chief's Office, managed by a captain who provides support to the battalion chiefs who are held ultimately responsible for assuring that the company captains follow drills and comply with safety measures at all times.**

**As evidenced by the above, it is important that both municipal and fire division leadership establish priorities and designate specific resources for training and safety to assure a focused and coordinated, and thus cost efficient, approach to training and safety.**

**It is recommended that firefighters in the companies adjacent to the training office be identified and trained to assist with the day to day demands of the training and safety functions.**

**It is recommended that once the training and safety program is planned, organized and established, it be offered to other communities in the area at a reasonable cost. This will enable Paterson to optimize the productivity of its training resources and enable area communities to take full advantage of the knowledge and training available in a large paid**

**fire operation. A conservative estimate of the potential revenue available through this initiative is \$25,000 based on sharing the costs of the captain and two firefighter's time and operating expenses.**

**Revenue Enhancement: at least \$25,000**

### **Equipment and Facilities**

A recurring observation to be made throughout Paterson municipal operations is that there is no systematized plan for the maintenance, care and replacement of equipment or facilities. This is true in the fire division also, where replacement of hose nozzles to the repair and maintenance of fire stations is done on an ad hoc basis.

### **Recommendation:**

**It is recommended that the fire division develop a plan for routinely replacing all equipment and conducting repairs and preventive maintenance of all facilities.**

## **EMERGENCY MEDICAL SERVICES (EMS)**

### **Operations**

The City of Paterson operates four ambulances 24 hours per day, seven days a week. The 1996 cost of the operation was \$1,602,314 in salaries and direct benefits, \$125,175 in other expenses, and an additional \$77,630 in salary and benefits of the fire captain, for a total estimated 1996 cost of operations of \$1,805,119.

EMS functions nominally as part of the fire division. It is dispatched by fire communications, directed by a uniformed captain and was staffed in 1996 by seven full time and 35 part time civilian emergency medical technicians (EMTs). The civilians were supervised by six full time supervisors. Four units operated 24 hours per day and responded to 26,331 calls. The range in daily call volume is 47 - 107 and the range in monthly call volume is 2,014 - 2,339. Calls are heavier in the summer than in the late winter and early spring. In 1996 they provided mutual aid to other communities 192 times and received mutual aid 642 times, 496 of which were handled by the Sheriff's Department ambulance.

The State of New Jersey Department of Community Affairs, Division of Fire Safety, conducted a cost savings review of the Paterson Fire Division in 1996. They made four recommendations relating to EMS:

- Contract with a private firm for the billing and collection of fees;
- Replace and provide for spare ambulances;
- Add an ambulance squad; and
- Purchase disposable supplies in bulk.

### **Billing for Services**

The only one of the recommendations made by DCA that was implemented was to contract with a private company for partial billing of EMT/ambulance services. Paterson retained the Medicare/Medicaid portion of the billing. Paterson's cost for this activity is estimated to have been \$181,729 to bill for \$744,088 and to collect \$666,188, or 90% of what was billed. The contract company billed \$2,144,872 and collected \$183,925, or 9% at a cost of \$20,232 (11% of collections). The total net income of this effort then was \$648,152. In addition, \$325,000 in CBDG funds are dedicated to offsetting the cost of services for indigent clients. The total revenue applicable to the program therefore was \$973,152.

Reviews of other cities and discussions with experts in the field indicate that the non-collectible portion of billings is typically between 20 and 40%. If Paterson could achieve a 50% collection rate it would net an additional \$528,987 under the current terms of the billing contract. This would bring the net revenue applicable to the program to \$1,502,139. Nonetheless, compared to FY96 total cost of \$1,805,119, Paterson would still lose more than \$300,000 on the service.

### **Replacement of Vehicles**

The team concurs with the DCA that ambulances need to be replaced on a regular basis and that there needs to be an adequate number of vehicles considering the hours of operation.

An agreement could even be made for the need for a fifth ambulance squad. There are currently only 41 hours per month when there is an ambulance not being used. This means that almost 95% of the time there is no other ambulance available from the City of Paterson. The figures used in the DCA report as to calls per hour have risen slightly from .74 to .75 calls per ambulance per hours. If the city handled calls currently taken by the County Sheriff's Department, it could bill for them as well, which would help "finance" the cost of the fifth ambulance squad.

### **Staffing**

Paterson is to be commended for the cost effectiveness of using part time employees especially when there is a 24 hour, seven day schedule. This enables them to use members of the community and nearby communities including teachers, police officers and firefighters. In the provision of direct service, the value and flexibility of part timers is best weighed against the need for reliability, consistency and supervisory control. There is some evidence that the degree of supervisory control and reliability of information collected by the EMTs is inadequate, especially in relation to collecting data required for the billing of services. This is an issue that should be addressed by the city's management and elected officials.

The appropriate configuration for five ambulances, and using ambulance lease costs, the operation is estimated to cost:

25 full time EMTs:	\$1,000,000
50 part time EMTs:	\$1,000,000
10 Vehicles (leased):	\$156,000

Municipalities within New Jersey have been successful in competitively contracting for basic or advanced transport services and have either improved service delivery, decreased costs, or both. In fact, Local Government Budget Review has information from a national company which provides fire and EMS services throughout the United States, including two towns in Middlesex County, which indicates that Paterson could realize significant savings through competitively contracting for EMS services and billing. Based on the net rate (service charge less collections' revenue) of \$108,880 per ambulance (staffed by two EMTs for 24 hours) per year currently being charged to two communities in Middlesex County, the total cost to Paterson for four ambulances would be \$435,520; for five ambulances it would be \$544,400. These contracted costs, contrasted against the current net cost (service and billing) for four ambulances of \$1,156,967 or five ambulances of an estimated \$2,000,000, would result in savings of \$721,447 or \$1,455,600, respectively. These savings figures do not even include the avoidance of the cost of the ambulances themselves, which would be approximately \$124,800 per year for eight ambulances or \$156,000 per year for ten ambulances, if leased.

**Recommendation:**

**It is recommended that Paterson competitively contract all ambulance related services, including billing. The cost saving potential to Paterson, we believe, is much too significant to ignore and we strongly urge the city to competitively contract for EMS service and billing.**

**Cost Savings: (operations) \$721,447  
Cost Avoidance: (vehicles) \$124,800**

**COURT**

The Paterson Municipal Court disposed of 105,534 traffic cases and 16,564 criminal cases during CY96. Total salary and direct benefit costs in 1996 were \$1,216,436. The total for other expenses for 1996 was \$86,650. The other expenditure lines have been cut by 45% since the FY93 budget with no apparent negative impact on court operations. Court revenues increased 19% from FY96 to FY97 and 5% from FY95 to FY96. In FY96 municipal court revenues were \$2,783,684 and in FY97 municipal court revenues were \$3,311,834.

**Staffing**

The table of organization for 1996 consisted of 37 employees including three full time municipal judges, a director, three court administrators, three deputy court administrators, three court attendants and 24 clerical staff. There is also a substitute judge available. This averages out to 328 cases per month per staff person (exclusive of court attendants and judges). This is somewhat high compared to other reviews we have done, especially considering the number of cases and court sessions, the relatively high number of time consuming criminal cases and the number of county prisoners arraigned in Paterson. Prosecutors are members of the in-house counsel staff and are estimated to be used the equivalent of one full time counsel for a cost of approximately \$40,000.

Staff is given specific responsibilities in order to maximize accountability but they are also cross trained so that they can assist in the event of absences or fluctuations in the workflow.

Retaining employees and maintaining a stable workforce is a significant concern. All entry level staff starts at \$15,500. Seven employees resigned after less than three years during 1996. Four of those individuals were there for more than one year and therefore can be assumed to have been trained.

**Recommendations:**

**It is recommended that Paterson examine its compensation practices to assure that it retains employees after they have been trained. One way to assure this is to pay salaries comparable to that of other municipal employers in the area. Recognizing the financial impact of this recommendation, it may be reasonable to have a one year probationary salary that is increased substantively after satisfactory completion of one year of service. A \$3,000 increase for all staff except the judges would cost approximately \$105,000.**

**Value Added Expense: \$105,000**

**Operations**

There are eleven regular weekly court sessions including one evening and one Saturday morning. Day sessions normally run six to seven hours long, night sessions run four to five hours and Saturday sessions run approximately three hours. In addition, there are four DWI sessions per month and two domestic violence sessions per month. Approximately 620 sessions were held in 1996.

The court has made many efforts to improve the efficiency, flexibility and responsiveness of its operations. These efforts include:

- Supporting a customer service attitude.

- Having a cooperative and positive relationship with the police division for court security, officer appearances and warrant service.
- Holding monthly staff luncheons, paid for by the judges, at which issues and problems are resolved through discussion by all court staff.
- Scheduling domestic violence cases on a separate date and providing direct referrals to family counselors available during the court session. Further referrals are then made if warranted.
- Dealing directly with issues as they arise, such as assigning one individual to be responsible for the county prisoners, for tracking cases and pulling appropriate records, thus establishing a chain of accountability, ensuring that prisoners do not “fall through the cracks.”
- Providing a terminal in one of the court rooms so that dispositions can be entered on the spot making the information readily available to the cashiers when the fines are paid.
- Making use of the temporary regional training site in Paterson for ACS and ATS, installed by the Administrative Office of the Courts, has made a dozen terminals available to the police, which will greatly improve the police officers’ ability to use the systems efficiently.
- Reassigning two people from day to day operations, to data entry at a location separate from the phones and the windows, for the sole purpose of entering tickets and complaints.

**We commend the Paterson Court for its inclusion of Saturday court hours in order to accommodate the needs of the community.**

#### **Facilities**

The court facilities are crowded and somewhat worn. There are no assigned spaces for the prosecutor or public defender and there are no easily accessible or designated spaces for filing. Files are located in a conference room, in hallways and in a very crowded basement area. It is recommended that off-site filing space be identified for court files. The layout itself is disjointed, preventing an easy flow of staff and processes.

There are two small courtrooms and a waiting area outside the courtrooms. The judges, staff and prosecutors do an excellent job of keeping things moving and preventing overcrowding.

#### **Recommendation:**

**Any Paterson facility improvements should include consideration of the redesign and expansion of the court space.**

#### **Court Attendants**

The court operates with civilian court attendants. However, because of the staffing level, police officers are called in to cover an average of one hour per day. The cost of this is not significant in terms of dollars, but keeping police officers available to the public is an important objective for the city.

#### **Recommendation:**

**We suggest the city staff the court attendant positions in a manner that prevents the use of police officers in that capacity. If attendant staff is added for the additional court session discussed below, this issue will be resolved.**

### **Case Management**

The ratio of disposed to added cases in 1996 was 111% for traffic and 113% for criminal. The active backlog was 12,775 at the end of 1996. Adding two court sessions - one afternoon and one evening - would allow the court to handle as many as 20,000 additional cases and it would allow the court to catch up on its backlog in approximately 30 weeks. The new sessions would require a deputy court administrator, a clerk, an attendant and more hours for a judge, at a maximum cost of approximately \$93,000. This cost may be somewhat less based on the ability to effectively even out the caseload per judge so that additional compensation is not necessary. It is estimated that the per month case disposition capacity would increase from 10,167 to 11,833 which means a potential of at least 142,000 total cases being handled. If this occurred, the per person per month caseload figure would be 359. With a volume of 142,000 cases, an added caseload growth rate of 6% could be accommodated while still disposing of the backlog. Staff felt strongly that the court's productivity was limited by the number of court sessions, therefore, we believe this estimated productivity improvement is feasible. The additional attendant would also assist in reducing reliance on the police for courtroom security on a daily basis.

Increased case disposition will likely produce additional fees. Obtaining an average revenue per case by dividing the total fees collected in FY97 by the FY97 cases disposed, the backlogged cases would generate \$346,458. An increase of routinely disposed cases of 6% is reasonable to expect and would generate \$198,681 in additional revenues on an ongoing basis. In addition, the workload capacity of the staff would increase by 9.5% producing a productivity enhancement of \$115,561.

### **Recommendation:**

**The court is urged to add one afternoon and one evening session to the court schedule.**

**Value Added Expense: \$93,000**  
**Revenue Enhancement (one time): at least \$346,458**  
**Productivity Enhancement: \$115,561**  
**Revenue Enhancement (ongoing): \$198,681**

### **Time Payments**

In a city such as Paterson it is not surprising that there is a high level of time payments and, therefore, accounts outstanding. Chief judge policies limit time payments to four months. As of June 30, 1997 there were 5,402 accounts under suspension with a value of more than \$2 million dollars, representing 77% of the amount due. One improvement would be to retain a collection agency to pursue those accounts that have been under suspension for a certain period of time. Potential costs of this initiative would be approximately 29% of the collections. One agency shows that it routinely increases collection rates by 100%. If the collections on this amount were 70%, the additional revenue would net to \$582,510. One court in the State of New Jersey has applied for the ability to retain collection agencies to pursue this amount. Any municipality interested in pursuing collections of these accounts must apply to be a pilot site. The Administrative Office of the Courts (AOC) is available to assist in applying for approval and then selecting and monitoring a collection agency contract.

### **Recommendation:**

**We caution, however, that the collection estimates of the collection agencies may be based more on all collections, as is done in other states, instead of just collections of time payments, as would be done in New Jersey. Given the fact that time payments are permitted for those individuals with less ability to pay the court costs in the first place, collection of these amounts would be more difficult than general collections. Because of this difficulty and because of the fact that various portions of the collections are actually paid to other agencies (i.e. state and county agencies), a conservative estimate of potential collections would be even less than the \$582,510 might be realistically possible. Because of this uncertainty, LGBR has not attached a specific revenue enhancement amount to this recommendation, though the potential is anywhere from \$0 - \$582,510. Paterson is encouraged to work with the AOC to contract with a collection agency for collection of the current time payments outstanding.**

## LIBRARY

Taken as a whole - the public library, its art collection, its building and the city museum - the citizens of Paterson have enormous resources available. However, the team believes they are greatly under-utilized. With some concentrated effort, a little focus and a few knowledgeable professionals, Paterson could realize the full potential of these assets. Right now, these valuable resources are going untapped and are in great need of a creative direction that will highlight them as the significant historical and cultural resources that they are. These resources should be managed more cohesively and creatively to fully realize their benefits, and perhaps form the basis of increased economic progress and stability.

### **The Main Library Building**

Paterson Free Public Library was the first public library in the State of New Jersey and it is housed in an architecturally significant building originally financed by Elizabeth Ryle, daughter of Charles Danforth, as a memorial to him. It was designed by Henry Bacon, designer of the Lincoln Memorial and is on the National Register of Historic Places. The bequest stipulated that the building be used as a library for the citizens of Paterson, but unfortunately, the building currently fails to serve the public of Paterson effectively as a modern library.

### **Recommendation:**

**We recommend that the city find a way to retain and preserve the building as a cultural resource while assuming the library is located in a more accessible, modern and efficient building. The approach could include:**

- **redesigning the interior while maintaining as much of the architectural detail as possible, and retain it as the public library moving all public resources to the main floor of the library;**
- **explore with legal counsel steps required to permit the use of the building for a purpose other than as a library; or**
- **using the building as the Paterson City Museum and Archive after verifying that such a use is consistent with the intent of the bequest.**

### **Art Collection**

Jenny Hobart gave her family's art collection to the people of the City of Paterson in 1925. The city's paper at the time, **The Morning Call**, reported "The gift is characteristic of her strong interest in everything that pertains to the public welfare. It is entirely indicative of her constant desire to have a part in the city in all phases."<sup>1</sup> Paterson is in a new phase of cultural and economic development and the art collection could play a significant role, if handled correctly. The Hobart collection along with items that have been added to the collection through gifts over the years is currently valued at more than \$1.5 million. The library has scraped together resources to begin to restore the collection and has made great progress, however, the most valuable restored painting which is housed in the climate controlled and alarmed conference room is still in danger of being damaged. It had plaster or some other substance falling on it when the team visited it. This collection has been the subject of controversy in the past because it was not well cared for and protected. It remained with the library because of the interpretation of the bequest. This is another area in which the heirs need to be identified and consulted with in order to identify a means for the city to remain true to the intent of the bequest while enabling the community to promote and protect the resources and make the best possible use of them.

What the collection does have currently is an energetic, creative and knowledgeable part time art curator who has undertaken a number of events and projects to bring attention to both the library and the collection. It appears to the team that bringing the collection and her talents to a city museum would be of great benefit to both the art and the museum.

---

<sup>1</sup> Culmone, Margaret, editor, **The Garret and Jennie Hobart Collection of Art Catalogue.**

**Recommendation:**

**We recommend that the city contract with a more appropriate agency for the care and display of the art. Two agencies that might be considered are the Passaic County Historical Society and a reconfigured or revitalized Paterson Museum.**

In addition, the library has an historical archive collection that has a full time professional caring for it. This collection is also rich in resources and could potentially receive better use and exposure and support the museum activities, if it were moved to the museum.

**Recommendation:**

**We suggest the city place the historical/archival resources in a revitalized museum.**

## Services

According to the annual reports submitted by the Paterson Free Public Library to the state, the budget of the public library was \$1,889,330 in 1996. Approximately 84% was for salary and wages and just \$164,532, or 10% of that reported budget was expended on materials. The annual report is compiled on a calendar year basis and the budget is prepared on a fiscal year basis so the numbers do not coincide.

The total circulation in 1996 was 71,780, a 56% decrease over 1992. An explanation given for the decrease was the closing of four branches, however, the decrease in the number of branches operating from 1994 to 1996 was two. Two more were closed in 1997 so there are now just four facilities operating. The circulation, attendance and reference use all dropped significantly from 1992 to 1994 when there were still eight sites operating. Per capita use has dropped to less than one when the state average is six. Contrasting Paterson to just major urban libraries leaves Paterson with the lowest per capita circulation. Of the seven cities in the comparison, the next lowest is Camden at .73 and the average of the seven is: 1.75, or more than three times higher than Paterson. Paterson's per capita expenditure is second to the lowest. Camden has the lowest per capita expenditure of the urban communities. One could conclude that per capita spending may have an impact on per capita circulation, but if one followed directly through on that rule, Paterson's per capita circulation should be higher than Camden's and it is not.

## Staffing

The annual report showed eight full time and two part time professionals and 24 full time paraprofessional staff. The director's staff is comprised of the library director and the business manager as well as an office staff of three. Great frustration has been expressed about the inability to attract the best quality of professionals because of residency requirements and low salaries. The structure of the main library building and three additional sites spread a small staff very thin, limiting the number of hours it is open to the public. The director's salary was \$54,787 in FY96 and the business manager's salary was \$48,234. With direct benefits the total cost was \$126,859. The 1995 average salary for directors of libraries serving more than 100,000 people was \$68,893, the maximum was \$90,500 and the 75<sup>th</sup> percentile was \$80,635.

Having both a business administrator and a director for a less than two million dollar budget and a total staff of 32 is not, the team believes, a good use of limited resources. In addition, having two positions limits the authority of either person in dealing with both the service and operational aspects of the library. An urban library cannot possibly succeed without a strong leader with a vision of what library service can and should be for the citizens of Paterson, and such a person would rarely be attracted without appropriate compensation.

## Recommendation:

**We suggest merging the two positions of director and business manager and paying a salary of at least \$75,000 - 80,000. Further, due to the technical, creative direction needed, we suggest making residency a preference, not a requirement for the director. Cost savings in salary and benefits will be at least \$28,000.**

**Cost Savings: \$28,000**

## Facilities

The Paterson Free Public Library has a main library building, which is an historic landmark built in 1905, and three branches. The city is to be commended for reducing the number of branches from seven over the past few years. If the library appeared to be thriving, well used and adequately funded, only one of the branches would be recommended for closing and reuse by the team. However, we believe the library is failing in its mission as evidenced by a per capita use of one half and its inability to fully utilize its existing resources.

## Recommendation:

**Paterson is urged to close all of its branches and to find a way to provide library services from one location that is accessible by the community, more efficiently staffed, and that houses state of the art resources which are managed effectively and creatively. This would not result in significant cost savings but would enable the library to be open more hours and would allow for the much needed improvements in the use of resources.**

**Collection**

The lack of mission and focus of the Paterson Public Library becomes very clear when one looks at the collection. The library has literally floors of closed stacks, which are barely touched, and yet which contain items that could be of significant value because of their age and edition. They have begun a comprehensive weeding effort but it is slow due to the amount of staff time available for it. Between 1992 and 1996 the net decrease in the collection size has been by more than 63,000 to just under 300,000 volumes. There have been efforts to develop a Spanish language and other non-English collections to reflect the diversity of the city's population. However, this has been largely unsuccessful as there was no measurable increase in circulation.

**Recommendation:**

**The library is encouraged to evaluate its collection and match its holdings to the interests of the community. In addition, the library is encouraged to take advantage of the Newark Public Library's bulk loan program for foreign languages.**

**Automation**

The library catalog and circulation are not automated, however, the library is a member of PALS the regional network for Passaic County and is pursuing participation in PALS plus, the cooperative's regionalized automation system. The cost of participation is \$400,000. The Paterson school system is a member of BUCCLES (Bergen Union County Cooperative Library Service) but BUCCLES has refused to allow Paterson City to join its cooperative.

**Recommendation:**

**Automation is a fundamental aspect of modern library services and should be aggressively pursued as part of a comprehensive approach to revitalizing library services in Paterson.**

### **Community Learning Center**

The library's community learning center is one of three literacy programs in the community, another one is St. Paul's literacy program, and the third is called Project Plus, a spin off from the Paterson Adult Education program. The library's program offers ESL and math, as well as literacy. It also serves as a clearing house for information. Literacy is most definitely a mission of an urban public library. However, combining and coordinating the resources of the three programs could be a means of improving the productivity of literacy programs in the community. The program is staffed by two full time literacy coordinators and two part time teachers. The total identifiable cost is \$72,000, which is offset by federal grant moneys.

### **Recommendation:**

**Pulling the three programs together under one administration and possibly housing it in conjunction with a new library facility is one concept that should be seriously considered as the City of Paterson strives to find a vision, mission and role for the Paterson Free Public Library.**

### **Volunteers**

Something the library seems to do well is use volunteers. On each visit to the library there were a variety of volunteers present. The library also has a friends group that sponsors staff appreciation events and has purchased equipment for the library. The art collection and the museum have also benefited from the voluntary support of the public.

### **Recommendation:**

**Public library services are missing the mark in Paterson at a cost of 1.6 million dollars to the taxpayers of Paterson. Earlier the team suggested some methods of approaching the issues affecting the library as it operates now. Another alternative would be to competitively contract for the provision of those services. Potential service providers could be a local college, another public library, the school system, PALS or BUCCLLES. Integral to accomplishing this would be a clear formulation of the purpose of providing library services in Paterson. This recommendation is for general library services only. Our earlier recommendations regarding the effective, creative use of its resources still stand.**

### **The Museum**

The Paterson Museum began as a geological and natural history museum in a building next to the library and now has items that represent the progress of industry and invention in the United States. From 1990 to 1996 it has hosted 130 changing exhibits and of those, 104 related to art and 26 related to historical subjects.

The museum's 1996 total expenditures including direct benefits were \$205,311. The museum reported entrance fee revenues of \$3,714. It is staffed by a museum director, a curator and three part time employees.

The items in the museum's collection and companies they were part of, represent some of the greatest industrial and economic powers in American history: Colt revolver; Holland sub - bought by Electric Boat; Rogers Locomotive; as well as various silk textile manufacturers. It is run by a subcommittee of the library board and funded as a city agency. Because the museum's building is being operated by the Great Falls Preservation and Development Corporation, the museum administration does not have control over the building and the building is currently not very well suited to the museum. There is concern about the safety of its collection and the care with which accession (acquiring items) and de-accession (disposing of items) are undertaken. It is yet another resource with significant untapped potential.

### **Recommendation:**

**We strongly recommend that the museum be spun off as a private nonprofit organization, yet retain current funding from the city in return for some city control over its activities, such as appointments to the board. A suggested board complement might include: the Library Board President, a member of the Economic Development Commission, a council person and an at-large mayoral appointment with the rest elected by a**

**body of museum members. Many interested community members have already been tapped in a piecemeal fashion by the library and the museum that together would constitute a strong and vital base of support.**

The museum is housed on the first floor of the restored Rogers Locomotive building which was sold to the city and leased back by the Great Falls Preservation and Development Corporation which describes itself as an advocacy agency for the historic district of Paterson. The lease was originally for 50 years and has 31 years remaining. There is currently conflict between the museum, the corporation and the city over who is responsible for what; and what the museum can or cannot do.

**Recommendation:**

**The museum's fate is very much tied in with the building that houses it and any decisions about the future of the museum must take that into account. The city should examine within counsel its options to dissolve the lease with the Great Falls Preservation and Development Corporation, selling the building and either building or leasing a different, more appropriate facility. This would provide a more focused direction for the museum and enable its professionals to concentrate fully on taking advantage of this resource and revitalizing museum operations.**

## **RECREATION**

The city does not charge fees for service for any of its parks for soccer, cricket, baseball, softball or picnic usage. The city also has a free community pool that is used mainly by the surrounding neighborhood. The recreation office is staffed by eight year round people including three recreation supervisors, one clerk typist, one playground supervisor, one coordinator, one assistant coordinator, and one field supervisor. Neither the recreation department nor the parks department, which maintains the fields, practices a staggered shift to accommodate weekend usage of Paterson's recreational facilities. This resulted in the city's spending \$32,000 in overtime for recreation during the 1995-96 fiscal year.

**Recommendation:**

**The review team believes that the city should recoup at least some of the costs of maintaining the fields from the people who use them by instituting a user fee. The city should undertake a review of comparable cities to determine what level of fees would be appropriate to recover a greater share of the costs. The city should also institute staggered hours, at least during the summer months, in order to minimize the amount of overtime necessary to support recreational activities. In addition, the pool should charge a nominal fee for users. At \$5 each for the estimated 400 pool users, the city could realize additional revenue of \$2,000.**

**Revenue Enhancement: \$2,000**

## **HEALTH**

### **Organization and Staffing**

The health division has, according to the payroll data given to the team, approximately 78 - 91.5 staff (dependent upon the time and source of information). For our purposes, we have used the figures provided by the payroll staff.

Paterson's health division is very large and diverse. It consists of an environmental health unit that has regulatory oversight of 930 retail food establishments and restaurants. The division also has one of the largest lead inspection operations in New Jersey due to both the number and the age of the housing stock found within the city. Paterson's health division services retail stores, package goods stores and restaurants. It also handles services related to rodent control and bites. The health division also provides a tuberculosis clinic and testing facility. It also has an extensive HIV testing center and support group, and a physiology and cytology lab.

According to the 1997 annual report submitted to the mayor, the division inspected 902 food oriented facilities and 268 of those required re-inspection. The division also reviewed 262 complaints against food establishments and plans for 45 food establishments.

The city also provides health services for six contracting municipalities. These fees have not changed in a number of years. Also, the fees charged for health licenses could be increased to more accurately reflect costs of inspections.

**Work Week**

The health division has a 32.5 hour work week and has been on this schedule for over twenty years. The majority of other departments are on at least a 35 hour workweek. It would be a productivity enhancement of about 7.7% to switch to a 35 hour workweek. This would have to be negotiated with the bargaining units.

According to the time study we conducted on sanitarian functions during calendar year 1997, where we estimated averages of time required for various sanitarian duties, the increase in hours alone would result in a need for one less sanitarian just by switching to a longer workweek. This would result in savings of about \$39,632.

Also, the staff in the health division averages usage of 14 sick days per year. Other comparable health divisions average seven days sick time usage per year. If the management of the division were successful in reducing sick time usage, the city could realize an enhancement in productivity of over \$84,153 for the whole division, using the average salary in the division of \$34,863.

**Recommendations:**

**We therefore recommend that the city seek to increase the division's workweek to 35 hours for all employees.**

**It is also recommended that the division seek to reduce the usage of sick time.**

**Cost Savings: \$39,632**  
**Productivity Enhancement: \$84,153**

**Licenses**

The team reviewed the licensing operations of the department and found that the cost of licenses had not been adjusted for six years. We conducted a fee survey of Passaic, Jersey City and Elizabeth and have developed the following table, which depicts a breakdown of the impact of our proposed fee increase.

Fees	Paterson # of licenses	Existing Fees	Proposed Fees	Current Revenue	Estimated Revenue.	Addition Revenue
Foodhandler's License	254	\$ 5	\$ 10	\$ 1,270	\$ 2,540	\$ 1,270
5,000 sq ft or less retail store*	400	100		40,000	-	(40,000)
Larger than 5,000 sq ft. retail store*	6	250	300	1,500	1,800	300
<2,500 sq ft Food Store (Estimated)+	340		100	-	34,000	34,000
<4,000 sq ft Food Store (Estimated)+	40		150	-	6,000	6,000
>4,000 sq ft Food Store (Estimated+)	20		250	-	5,000	5,000
Milk Store & Truck	345	10	25	3,450	8,625	5,175
Packaged Food only	82	85	100	6,970	8,200	1,230
Non Food Licenses Class A (Dry Cleaner Nail Salon)	50		100	-	5,000	5,000
Non Food Licenses Class B (Barber Shop, Beauty Shop- No Nails)	50		50	-	2,500	2,500
Reinspection 1st Time (20% of 1030 Facilities)	206		50	-	10,300	10,300
Reinspection 2nd Time (50% of 1st Reinspection)	103		100	-	10,300	10,300
Vending Vehicle	62	200	300	12,400	18,600	6,200
Vending Machine	213	20	25	4,260	5,325	1,065
Vending Machine Reg.	184	35	50	6,440	9,200	2,760
Vending Machine Class A (sandwiches)			40	-	-	-
Vending Machine Class B (soda,candy)			25	-	-	-
Vending Machine Class C (cosmetics)			20	-	-	-
Vending Machine Class D (gumballs)			10	-	-	-
Ice Registration	223	10	20	2,230	4,460	2,230
Late Fees		25	25	-	-	-
Rest <49*	400	100		40,000	-	(40,000)
Rest >50*	42	200		8,400	-	(8,400)
Rest 1-39(Estimated)+	360		100	-	36,000	36,000
Rest 40-59 (Estimated)+	65		250	-	16,250	16,250
Rest 60 or larger (Estimated)+	17		400	-	6,800	6,800
Temp Food Stands < 2 wks.	97	50	75	4,850	7,275	2,425
New Establishment Plan Review	40	25	50	1,000	2,000	1,000
Alteration Plan Review		10	10- 50	-	-	-
Special Animals	10	15	25	150	250	100
Abbotior	2	50	250	100	500	400
Fat & Bones	3	50	100	150	300	150
Pool Registration	6	50	50	300	300	-
Pool Water Sample Analysis		35	35	-	-	-
Lead Single	500	100	100	50,000	50,000	-
No Show Lead	17	100	100	1,700	1,700	-
Lead Reinspection	8	40	75	320	600	280
Lead 2 &3 Family	255	100	150	25,500	38,250	12,750
Lead 4 Family Home	18	140	200	2,520	3,600	1,080
Lead 5 Units	4	180	250	720	1,000	280
Lead 6 Units	4	220	300	880	1,200	320
Lead 8 Units	2	300	400	600	800	200
Lead 9 Units	1	340	450	340	450	110
Lead 20 Units	1	780	1,000	780	1,000	220
Lead 24 Units	1	940	1,000	940	1,000	60
Total:				\$ 217,770	\$ 301,125	\$ 83,355

\*Existing Fee Schedule Structure

+Proposed Fee Schedule Structure

**Recommendations:**

**Based on our analysis using information from comparable communities, we believe the health division should consider increasing its licensing fees for increased revenue of approximately \$83,000.**

**Revenue Enhancement: \$83,000**

**We also suggest the city can additionally benefit by charging a reinspection fee for establishments that do not receive a satisfactory inspection on the first visit.**

## **WELFARE**

Paterson has one of the largest municipal welfare offices in the state. According to Current Program Statistics, published by the New Jersey Department of Human Services in May 1997, Paterson aided 2,033 persons, which ranks them fourth out of the cities in New Jersey. For its population of approximately 140,000 residents, it handles less cases than either Trenton or Camden, which have significantly smaller populations, and it has more cases than Jersey City which has a significantly higher population.

Last year Paterson, also the county seat of Passaic County, chose the option of transferring its welfare operation to the county. Officials believed this move would not significantly affect the residents who were clients under local welfare. The county agreed to accommodate five of the twenty city workers in the welfare office and the city placed the other fifteen workers in vacant positions elsewhere within its own organization.

The total costs that the city has either saved (because the 15 employees who remained with the city were placed in positions that would otherwise have been filled by new hires) or shifted to the county is approximately \$498,653 in salary costs, including health benefits. The shift of the burden from the city to the county will result in a reduction in the local tax burden. In addition, it will also offer the affected clients an enhanced level of service and resources, with the benefit of experienced personnel familiar with the process of local welfare.

**The city should be commended for taking the initiative and pursuing regionalization with the county.**

**Recommendation:**

**The team suggested to management that the city negotiate with the county regarding transfer of positions where possible. The county's welfare office handles traditional displaced family welfare. The local welfare offices handled welfare for displaced single people and couples for which the homeless ratio can be higher than for traditional welfare. The workers from Paterson transferred to the county will provide a great deal of**

**experience in handling this sector of the community and its particular needs. Both the county and the city need to be commended for not only recognizing this but also showing the initiative to work out the details associated with this type of regional approach.**

## **RENT CONTROL**

Rent control is a two person office with an administrator and a secretary. This staff is supplemented by a board secretary and city attorney who covers evening meetings at additional salaries of \$3,000 and \$6,000, respectively. The Rent Leveling Control Board (the Board) consists of thirteen members (five landlords, five tenants and three at large members) who are paid \$50 per month to attend up to two meetings per month. The team would prefer a structure where members of the rent control board are not paid at all, in a manner similar to other volunteer boards. However, if still paid at all, perhaps members could be paid per meeting attended (\$25) versus the current method. During the past two years there were only thirteen meetings out of 48 potential meetings. Also the size of the Board makes it difficult to have a quorum and is excessive.

### **Recommendation:**

**If the Board were reduced in size from thirteen to seven, the members were paid \$25 per meeting attended, and the city only held seven meetings a year (the average of the last two years), the savings would be \$6,575. Also, we suggest that the city attorney who represents the Board should do so as part of his duties for an additional savings of \$6,000.**

**Cost Savings: \$12,575**

## **COMMUNITY DEVELOPMENT**

The Department of Community Development is comprised of the following divisions: Planning/Zoning, Community Improvement, Economic Development, Urban Enterprise Zone, Special Events, Redevelopment and Housing. In planning/zoning the entire operation is supported with city revenue. The division of community improvement is funded partially with city revenue and partially by CDBG grant funds. All other divisions under Community Development are funded with CDBG funds except the Urban Enterprise Zone operations.

### **Planning/Zoning**

The planning division is currently staffed by four personnel. As recently as 1994 this department had six personnel. With the level of redevelopment expected in the revitalization of Paterson, it is incumbent upon the city to have adequate planning staff to expediently process the necessary documents.

The planning division had 200 applications and received approximately \$90,000 in fees for 1996. The division is responsible for both daily activities and long range planning. The master plan must be updated at least every six years. This includes the critical elements of a land use plan, housing plan and the redevelopment plan. The most recent master plan available is dated 1988. Most development plans date back to 1979/1981.

Other cities have become magnets for federal dollars because of the speed at which they show results of their redevelopment efforts. In particular, Lowell, Massachusetts, which is similar in a variety of ways to Paterson has received significant federal funding and attention. Comparable cities, as well as smaller cities, in New Jersey have larger planning and zoning staffs than Paterson. It appears to the team that the redevelopment efforts of the city are driving the planning process rather than a sound appropriate planning process facilitating redevelopment, and that zoning in many areas follows historical trends rather than serving as a plan for the city's revitalization.

**Recommendation:**

**The city should carefully analyze the level of development and redevelopments taking place and staff the planning department adequately. The number of staff needed will depend upon the direction city officials set for the revitalization efforts in the city.**

**The Master Plan should be updated, giving careful consideration to the future direction of the city to allow for appropriate redevelopment. The Office of State Planning should be contacted for technical guidance.**

**Division of Community Improvements**

The Division of Community Improvements is divided into three parts: Uniform Construction Code Enforcement (UCC); the Housing Enforcement Bureau; and the Zoning Enforcement Bureau. The UCC staff enforces the New Jersey Uniform Construction Code, while the housing and zoning bureaus enforce the city's housing and zoning ordinances.

**UCC**

The UCC staff includes the Construction Official and clerical personnel, as well as the building, electric, plumbing and fire protection inspectors. Elevator inspections in the city are performed by the New Jersey Department of Community Affairs. The UCC operation appears to be reasonably staffed to perform the required functions.

The division is funded out of current fund budget appropriations, which include UCC fee revenues. In FY97, the city realized \$420,455 in UCC fee revenues. Expenditures included \$400,912 for salaries/wages and other expenses and \$189,057 for fringe benefits and indirect costs. The total amount expended was \$589,969. The UCC fee revenues, therefore, covered 71% of the costs for operations; an improvement over the average of 61% for the prior two fiscal years. The 29% difference was covered by CDBG funds.

**Recommendation:**

**While the fees collected do not fully support the overall enforcement operation, an across the board increase in the UCC fee schedule is not recommended at this time. In urban areas, with little new construction, excessive fees for rehabilitation and renovations are often counter-productive. There should be a general policy to reasonably price the costs of permits as an added incentive to encourage property improvements. On the whole, the current fee schedule is at an optimal level and appears appropriate. The city may wish, however, to consider minor fee increases in some sections such as electrical sub-code.**

The UCC office does not use the state's Uniform Construction Code Administrative Records System (UCCARS) computer program which is available at no cost from DCA. The present computer system, designed for the city's mainframe, meets the requirements of the N.J. Department of Community Affairs (DCA) in that reports are electronically filed with the state as required by regulation, but the system is inadequate because it is of little use for office administration. Internal reports are still prepared manually and individual sub-code records are not completely integrated within the record keeping system. The requisite hardware for hook-up to the UCCARS is in place at the UCC office. All the city needs to do is contact the DCA for the necessary software to link the UCCARS program to the municipal mainframe computer system.

The most significant problem confronting the UCC staff is the proliferation of abandoned buildings and unsafe structures. The demolition process is not keeping pace with the continually increasing number of abandoned and unsafe buildings. There are currently over 100 abandoned and unsafe structures in the city. Only 46 such buildings were demolished in 1996 at an estimated cost of \$1,194,579. The primary problem in demolition is inadequate funding. The remaining derelict structures slow community improvement and redevelopment efforts, thereby negatively impacting the overall quality of neighborhoods in the city.

The city has a reasonable demolition policy in place, centered around a "demolition coordinator." The community improvement division has assumed this role. Its purpose is to streamline demolition by coordinating with the housing, community development, purchasing and finance offices. The problem is said to be the lack of necessary funding. Recent legislation provides funding for loans for demolition, which will be available through the Department of Community Affairs. An effective demolition policy is a key ingredient to a successful community development program.

**Recommendation:**

**It is recommended that Paterson's UCC section utilize the UCCARS computer software provided at no cost by DCA's Division of Codes and Standards.**

**Additional funding should be sought through various state and federal grant/loan programs to further expedite the number of demolitions completed. Paterson is encouraged to contact the Department of Community Affairs about funding currently available.**

**Local Code Enforcement**

Local code enforcement includes the housing and zoning bureaus. The housing bureau enforces local property maintenance codes. There were 7,812 housing inspections in 1996. The zoning bureau enforces the city's zoning ordinance. There were 8,130 zoning inspections in 1996. There are nine field inspectors for both bureaus. An additional three inspectors may be needed to effectively enforce the local codes. Operations are funded through current fund budget appropriations which are offset by CDBG funds and general revenues such as contractor licensing fees.

One of the main purposes of community improvement is to develop an ongoing program, which seeks to provide a base of quality affordable housing for the residents of the city. This will help to encourage future rehabilitation efforts as well as support new housing developments. This will contribute to a strengthened tax/revenue base, which is a key factor in developing a solid economic base, which is important to the city.

The housing and zoning bureaus do not collect fees but depend on general revenues as indicated above. Earlier this year, there was concern over a somewhat lax policy in the city's municipal court regarding the disposition of code enforcement related cases. Penalty fines were not being upheld and long postponements were granted by the court, undercutting the city's code enforcement efforts. Meetings have been held with the municipal court judges to establish a fair but firm policy of penalty enforcement.

The city should consider linking costs of enforcement in particular cases to the assessment of penalty fines. In 80% of the cases, a notice of violation is sufficient to gain compliance. Penalty fines are often reduced or abated when the violations are corrected. The remaining 20% of the cases are the bulk of the effort and costs of code enforcement.

### **Recommendations:**

**The community improvement division should provide the municipal court with information on the amount of staff effort that goes into each case that comes before the court. This information could then be used, in conjunction with all other circumstances, to determine whether fines should be increased to cover a larger portion of these costs. If the fines imposed by the court considered the actual costs incurred, additional revenue of approximately \$150,000 could be generated.**

**Revenue Enhancement: \$150,000**

**It is recommended that the city hire at least three additional inspectors for housing code enforcement. These inspectors should have UCC licenses so they can double as UCC inspectors as needed.**

**Value Added Expense: \$97,500**

### **Redevelopment**

This division is staffed by three personnel and traces its beginnings back to the urban renewal days of the late sixties. There is no longer any active acquisition of property, though some land is still under the control of this division. Today the emphasis is on rehabilitation rather than new construction.

By city ordinance, the five year tax abatements are given for some improvements. Some new commercial developments are eligible for fifteen year tax abatements and make payments in lieu of taxes. Some housing complexes pay payments in lieu of taxes and the criteria varies with the type of funding involved. Some properties are eligible for several credits, such as historic redevelopment credits as well as abatements.

Many projects mentioned under other headings are funded through the Paterson Restoration Corporation, a private non-profit corporation under the guidance of this division.

### **Community Development Improvements**

There is a realization by the governing body in general, and this department in particular, that jobs, home ownership and neighborhood redevelopment are essential to enhancing community spirit and fostering an awareness for many citizens that they are stakeholders in the future of the City of Paterson. This is a key element in the program put forth by the Department of Community Development. In many areas, Paterson has halted the decline that has plagued many of the old industrial regions of the country and is working to bring the city back to a significant level of prosperity. This is not to say that problems do not exist. However, there is still much to be accomplished. Paterson suffers from a lingering image of the most severe problems of the decline of decades past. Paterson must do all that it can to shed the negative image that should no longer apply.

### **Economic Development**

The economic development division should be commended for its long term approach to the revitalization of Paterson's business community. The following programs are elements of the continuing effort to enhance and improve the city's business climate.

The city has established a revolving loan fund using UDAG (Urban Development Action Grant) funds that provide up to \$100,000 in loans at 6% interest to businesses moving to or expanding in Paterson. These funds are reused

many times as loans are repaid with interest. These loans are packaged with other financing and bank loans to convince the business community that Paterson is the place to do business. Loans are backed by capital assets of the borrower and follow the requirements of the banking community that provides the bulk of the funding. The city requires the same assurances as the banking industry when lending these funds.

With \$300,000 of CDBG (Community Development Block Grant) funds, the economic development division has instituted a loan guarantee program where small business wishing to begin operations or expand operations in Paterson can borrow up to \$25,000. The program guarantees 50% of the loan, making these higher risk loans more palatable to the banking community. There are more than ten banks that participate in this program. It has completed more than 50 loans with only three defaults. The success of this program encouraged the division to commit a second \$300,000 for this purpose.

George Washington Carver Service, Inc. began operations in January 1995. The company was formed to manufacture top-quality window treatments, while providing inner-city young adults with work experience. This entrepreneurial training program is a unique public/private partnership between Hunter Douglas Window Fashions, Minority Athletes Network, Inc., Chemical Bank of New Jersey and Paterson Restoration Corporation. The mission is to be a leading non-profit organization that provides services to business, communities and young adults through innovation, dedication and mentoring. The company gives employees first hand experience in running a successful business and proceeds from sales are reinvested in scholarships, cross training and counseling programs. Participants are enrolled at G. W. Carver for 18 months and are required to enroll in evening continuing education courses throughout their tenure in the program.

### **Urban Enterprise Zone**

Part of the City of Paterson was designated an Urban Enterprise Zone on September 2, 1994. The designation is for twenty years. The city had 445 registered businesses in the zone as of January 18, 1996, ranking fifth in the state of the twenty one municipalities with UEZ's. From inception to June 30, 1997, the UEZ amassed a working balance in excess of \$6,000,000. The UEZ is maximized to include as much of Paterson as the law allows.

Paterson also has two special improvement districts (SIDs) within the UEZ. The first one is the Bunker Hill District, the first industrial SID in the state. The Downtown Paterson SID Management Corporation was approved in June 1997. The UEZ is authorized to match the funds provided by the SID for particular projects.

The Paterson Small Business Development Center (SBDC) is the first streetfront SBDC in the state. All other SBDC's are located on college campuses. The center runs a seven week training program centered around developing a business plan, obtaining financing, doing business with the government and using the Internet to advance a business. The participants are charged a one-time \$100 fee. The center also maintains an entrepreneurial library for all interested parties.

There have been \$3,323,652 in programs and projects funded or planned by the UEZ. They include the following:

- Banners:* To identify the UEZ for the convenience of shoppers.
- Barriers:* To restrict access to areas of illegal dumping.
- BHSID cleanup:* Bunker Hill special improvement district cleanup.
- Vacuums:* To assist in keeping UEZ designated areas clean.
- Graffiti:* Grants and matching funds, to assist in the removal of graffiti.
- Loan Study:* To study the mechanisms for developing a loan program.
- Main Street Study:* To study existing conditions and recommend improvements.
- SBDC:* Committed to business creation and expansion in the UEZ.
- Sewers:* Emergency sewer reconstruction at East 35<sup>th</sup> St./Market.
- Sidewalk matching grant:* To repair sidewalks within the zone.
- Silk City Trolley:* To link downtown to the Great Falls Historic District.
- Street Resurfacing:* Needed repairs and enhancement of the image of the district.
- Street Signs:* To enhance the image of the district.
- Trash Cans:* Decorative and image enhancement project.

*Trees on Broadway:* Decorative and image enhancement project.

*Video Monitor:* To catch illegal dumping.

*Walk the Beat:* To increase security in specific areas of the zone.

### **Special Events**

The office of special events plans and executes a plethora of activities and events that highlight the spectrum of Paterson's cultural and ethnic heritage. Attention is also focused on the historical and tourist attractions available in Paterson. Many activities focus on youth and seniors. There are far too many events to mention all of them. A few of the major ones include the "Great Falls Festival" drawing more than one hundred fifty thousand people, "National Night Out On Crime" involving more than eighteen neighborhood organizations and the "Latin Jazz Festival." This office is staffed by only two people and is funded with CBDG monies. The function of this office is instrumental to changing the perception of Paterson and in generating a continuous flow of visitors. This is essential for Paterson's image and businesses.

There are so many events and ideas for events that the "Onward Paterson Through the 90's, Inc." was started to facilitate fund raising. The special events office is a definite asset to the promotion of business, cultural and government affairs in the city, yet, the majority of the events add to the cost of the city's police operations and there is relatively minimal grant funding available to offset these costs.

### **Recommendation:**

**The city should ascertain the cost of police protection for the unfunded events and explore alternative funding methods for these activities so that all taxpayers are not required to bear these costs.**

### **Housing Division**

Many entities and programs help citizens own their own homes when they would not otherwise be able to do so. The efforts of this division in advancing the concept and reality of home ownership is to be commended. Through these efforts there are more than 220 new homeowners in the past ten years, with more than 120 of these buying homes in the past three years.

Habitat for Humanity has built more than 100 units in the past ten years. The housing division supports these activities using CBDG funds for sewer hook-ups and sidewalks. The city transfers property for \$1 in designated sections where groups of units are supported. The housing division has supported another 121 units in single family and two family configurations, built by private non-profit groups interested in advancing the cause of affordable housing in Paterson in various ways. There are currently plans to support another 130 housing units for ownership.

The division's home ownership and affordable housing programs support affordable housing in many ways assisting the buyers, the developers and the private non-profit promoters of new housing. It supports the rehabilitation of existing housing by providing up to \$20,000 for correction of code violations. These low interest loans also reduce the assessed value by the value of the improvements to the property with an affordability restriction in the deed. This restriction is for seven years unless the property is sold. The sale of the property before the seven years will require a reimbursement by the seller to the city. The division also provides up to \$7,000 in low interest loans to first time homebuyers. This is accompanied by a five year affordability restriction in the deed for existing structures, or a 20 year restriction for a newly constructed dwelling.

### **Lowell, Massachusetts**

The team visited officials of various organizations involved in the very creative and successful revitalization and economic development activities in the City of Lowell, Massachusetts. This city shares much of the same history as Paterson, yet Lowell officials have worked to take advantage of its historical and cultural resources to become a "destination city" that has much to offer its residents and tourists. The team was extremely impressed with the creativity and professionalism of the individuals involved and we are convinced that they are the biggest reasons for that city's revitalization success.

Paterson has similar historic and cultural resources, but until relatively recently, Paterson's officials have not effectively taken advantage of them. This is despite their having numerous conversations with many of the same Lowell officials that the team visited.

**Recommendation:**

**Paterson must take full advantage of its significant cultural and historical resources by developing and implementing a detailed plan for economic development and community revitalization. We cannot recommend strongly enough that Paterson continue its previous dialogue with Lowell's creative officials and finally put their lessons learned into action to improve the city.**

## **PUBLIC WORKS**

The Department of Public Works is organized into four primary divisions with eleven subordinate sub-divisions. The primary divisions are Engineering, Cable Communications, Recycling and Public Works. The City Engineer has two sub-divisions: Sewer and Engineering. The Cable Communications Division has two sub-divisions: Traffic Maintenance and Traffic Operations. Recycling is an independent operation under Public Works. The Public Works Division has six sub-divisions: Public Buildings, Sanitary Street Inspections, Streets & Roads, Parks & Shade Tree, Vehicle Maintenance and Recreation.

### **Engineering**

The Engineering Division was staffed by seven personnel in 1996: an engineer, assistant engineer, senior engineer, senior road inspector, road inspector, principal draftsman and

secretarial assistant. The 1996 salary, wages and benefits for this division were \$318,547, other expenses were \$18,785 and the value of indirect benefits was \$50,246, for a total cash expense of \$337,332.

### **Engineering Operations**

In 1996, the division was involved in the design of fourteen major public works projects including road and sewer construction/reconstruction, with a total estimated cost of \$2,812,500. Of the fourteen projects, two have yet to be funded leaving twelve projects totaling \$1,347,500. Of the twelve, ten are complete, one is scheduled to begin in the spring of 1998, and one contract has yet to be awarded.

In 1997, the division was involved in designing eight public works projects totaling \$3,943,000. Six of these projects have been funded totaling \$3,363,000. In 1998, there are nine public works projects scheduled with a total estimated cost of \$4,715,000.

Much of the day to day activity of the division centers around reacting to the latest crisis. This division is fully engaged on a day to day basis, so much so that proactive activities such as up-dating the underground infrastructure maps or actively planning for the separation of the sanitary and storm sewers, as mentioned in the 1988 master plan, do not have staff available to accomplish them. The most recent maps are more than twenty years old. This is an extremely important activity due to the large amount of reconstruction, both public and private that is in progress and is planned. In addition, the engineer is also responsible for sewer operations out of the Public Works Division.

This division is involved in private construction activity to the extent that it involves the connection to, and the capacity of, the sewer system. The division rarely makes use of developer escrow accounts and only then for large projects. The use of developer escrow accounts has occurred only twice in the tenure of the current engineer (11 years). The division also does not charge for inspections on smaller projects.

### **Recommendation:**

**The city and the division need to re-evaluate the engineering mission in a city that is rapidly being redeveloped. It is vitally important that this division function proactively and with up-to-date information. Other communities have been able to attract increased federal funding for construction and reconstruction projects because of the speed at which they could initiate a project and go to bid and Paterson should make itself one of the successful candidates through adequate planning and preparation.**

**While smaller projects may only require a small amount of an inspector's time and effort, the cost to the division and ultimately the taxpayers should be offset by fees that are permitted under New Jersey State Statute 40:55D-53. The division should analyze the costs involved for all inspections and plan reviews and charge appropriately for this service. Adequate information was not available to the team upon which to estimate revenues.**

### **Sewer**

The sewer operation employs ten people ostensibly to do routine cleaning and emergency repairs. This operation also functions primarily in a reactive mode. The cost of this operation is \$466,314 in salaries and benefits, \$65,843 in overtime and \$142,314 in other expenses, annually. This division operates seven vehicles with a combined acquisition cost of \$250,000 for ten year assets. This equals \$25,000 per year, plus a maintenance cost of \$3,550 per vehicle for a total maintenance cost of \$28,550 per year. Another \$588,000 was spent on emergency sewer repairs by private contractors. In 1996 the city paid \$8,349,171 to the Passaic County Water Commission for sewage processing. The cost of billing the more than 24,000 customers is \$96,233. The total cost of the sewer operation is \$9,757,725. The value of other indirect benefits is \$58,596.

### **Sewer Revenue**

The city collected \$2,652,536 from residential users who are billed a flat fee, and \$758,668 from metered commercial and industrial customers. The total revenue is \$3,391,204 per year. This is \$6,366,521 less than cost. The reasons for this shortfall are as follows.

- The city has a gradually declining scale for dwellings with a larger number of units. This reduces revenue to the city by \$235,032 per year.
- Based on the most recent study, completed 21 years ago, approximately 40% of the sewage flow is due to infiltration and surface water that flows into the system. The known changes in Paterson's sewage flows are due primarily to a reduction in industrial activity. With the age of this system it is reasonable to believe that infiltration has increased. The age and design of this system also allows surface water to flow into the system. Ninety percent of the system was built to accommodate both sewage and surface flows. Assuming 40% infiltration, Paterson pays approximately \$3,339,815 per year to process this water. If the inflow/infiltration could be reduced by half, the savings would be approximately \$1,670,000 per year.
- The city's charge to the users of this system is very low. There is a flat rate of \$80 per year for this service. There is a sliding scale for multiple unit dwellings, as mentioned earlier.

#### **Recommendations:**

With a sewer system as old as Paterson's, designed when it was common for surface water and sanitary sewers to flow together, it is understandable that the future separation of these systems can be a difficult and expensive process. There are portions of the system that already have separate flows at the feeder level but they eventually flow into the common system. There appears to be no formal plan to separate these flows even though this is mentioned in the most recent master plan of 1988. Paterson should invest in its sewage infrastructure to correct inflow and infiltration. The first step is to map what already exists. While it is impossible to eliminate all inflow/infiltration, the city should try to eliminate as much as possible over time. If half of the inflow/infiltration could be eliminated through capital improvements the annual savings to the city would be \$1,670,000. Over 20 years the city could capitalize \$33,400,000 and pay for it out of the savings from reducing ground and surface water flow into the sanitary sewer. The N.J.D.E.P. Environmental Infrastructure Trust Financing Program will assist municipalities with low interest loans for this purpose.

If the city were to run the sewage operation at cost, all users would pay almost five times the current charges. While raising sewer bills this much may not be feasible, we believe the city should consider substantial increases in sewer charges. As one method of making the charges more appropriate, the city should consider eliminating the sliding scale for multiple unit dwellings. This would increase the sewer revenue by \$235,032.

**Revenue Enhancement: \$235,032**

A schedule of gradual increases could be initiated that would increase the charges by 25% per year for the next eight years. This would make this operation self sufficient and provide at least an additional \$6,366,521 in revenue by the end of the eighth year.

**Revenue Enhancement: \$847,801 (in the first year)**

The cost of billing for the approximately 24,000 bills annually is \$96,223. This is more than \$4 per bill. This service can be purchased on the private market for \$1.69 per bill to include collection and electronic posting. This would be a savings of \$55,440 if this service were competitively contracted.

**Coat Savings: \$55,440**

**The city should require any new construction or renovation to include an upgrade of the sewer system in the area of this activity. It is the city's responsibility to pursue this through its Planning Board.**

**Cable Communications Division**

Traffic Operations/Maintenance: The city operates and coordinates more than 150 traffic lights, repaints crosswalks every 12 to 20 months, repaints 1,300 loading zones and replaces approximately 550 to 800 signs which are stolen, vandalized, run over or rendered useless each year. This operation has experimented with more durable materials, which can last for at least five years for use in crosswalks. It has resorted to painting "STOP" on the pavement due to the theft of stop signs, particularly when there has been an accident at that intersection.

**The city should be commended for taking the initiative to find more durable materials and creative methods to reduce the labor cost associated with pavement markings. This will enable this operation to increase productivity in areas that are not currently being addressed.**

### **Street Lighting**

The accuracy of street lighting bills in Paterson is questionable based on the experience of other municipalities. The categories of discrepancies found in other communities are as follows:

- Lamps are on the billing list but not on the pole.
- Poles are in another town on the border of both communities.
- Poles and lamps are on county or state roads but are billed to the municipality.
- There was no authorization for the installation of a street light.
- Municipalities were billed for lights that were not functioning.

Paterson paid \$2,256,000 for street lighting in 1996. The team requested from the city officials the information necessary to determine the accuracy of street lighting bills in Paterson. Several follow-up requests followed the original, yet as of our last request in October, there was still no information provided concerning these bills. An audit of these bills could result in significant savings to the city if inaccuracies exist.

### **Recommendation:**

**Since the team was not provided with the necessary information, we strongly suggest that city officials review the street lighting bills based on the problems encountered in other communities to be sure that the city is not paying street lighting costs that are inappropriate and poorly verified.**

### **Recycling**

The recycling division employs 13 full time employees and 22 part time per diem employees. The cost for salaries and health benefits is \$687,304, overtime is \$45,719, and other indirect benefits are \$47,872, for a total cost of \$733,023.

The division operates 11 vehicles with a maintenance cost of \$3,550 each for a total of \$39,050. Some of these vehicles are not specifically designed for the recycling mission, especially two vans that appear to be quite cumbersome for the mission because of the necessity to load recycled materials inside of the van.

### **Recommendations:**

**If the division were to obtain recycling trailers for these vehicles to pull, the effectiveness of this equipment could be significantly increased.**

**Value Added Expense: \$10,000**

**According to documents obtained from the city administration, in 1996 the city's waste stream for solid waste and recyclables was 88,507 tons. Of this total, 6,738 tons were recycled, which represents only 7.62% of the waste stream. Solid waste disposal at 1996 prices cost the city approximately \$147 per ton in tipping and hauling fees. The city could save more than one million dollars for every 6,803 tons diverted from solid waste to recycling. There are communities in the northern portion of the state that recycle 60% of their waste. If the city established 60% as an ultimate goal, the savings would be \$6,165,290 above current levels. If the city, through educating the public, could encourage the citizens of Paterson to increase their recycling rate even to just 30%, the savings would be \$2,912,658.**

**Cost Savings: at least \$2,912,658**

### **Division of Public Works**

The Division of Public Works, within the overall Public Works Department, includes the following distinct functions: Parks & Shade Tree, Streets & Roads, Street Sweeping, Inspections, Vehicle Maintenance and Building Maintenance/Custodial. Most of these operations are well managed, are cognizant of their missions and have accurate records of work completed and work scheduled.

**Snow Removal**

The city does all snow removal except where the severity of the storm surpasses the capacity of the public works' staff. The city uses all appropriate equipment for this operation. Information received about this function indicates that 12 vehicles are used exclusively for snow removal. These vehicles are outfitted with plows and/or salt spreaders year round. The team does not believe this is a cost effective use of expensive equipment. If this information is accurate, these vehicles are put to effective use only 20% of the time. At a per vehicle cost of \$70,000, the aggregate cost of all twelve is \$840,000, or \$84,000 per year for the expected ten year life. The asset value related to these vehicles remaining idle is \$67,200 per year.

**Recommendation:**

**These vehicles should be more extensively used to supplement the vehicles used by the other operating divisions which would increase their operational use value by the \$67,200 in idle time.**

**Parks**

There are 54 parks containing 340 acres in Paterson, plus numerous baseball fields, soccer fields, tennis courts and basketball courts. All are maintained by the parks operation in public works. This function has 25 personnel which includes one supervisor, three foremen and 21 drivers or laborers. The citizens of Paterson use these facilities extensively. This operation is well organized and proactively managed and keeps excellent manual records. Time could be saved, however, if this function were automated. Staff have tried to computerize this function but the city computer operation cannot accommodate this function in a "user friendly" enough fashion for it to be an effective time saver. This function also makes effective use of state inmates and workfare recipients when available.

**Recommendation:**

**The city should invest in a “user friendly” computer operation that can accommodate all aspects of information processing.**

**Shade Tree**

The shade tree function is a well run operation. It has six employees including one supervisor and six drivers or laborers. Comprehensive records are kept manually. There is a backlog of 372 trees to be removed and the operation is plagued by citizens calling in to report problem trees. Many of these trees are not legitimate city responsibilities, however, there is no way to determine this without visiting each location. The city previously had a bad experience outsourcing some of this backlogged work. The contractor hired did not have the necessary experience to do the work, so he removed all those trees that were easy to remove and left the more difficult ones. To the city’s credit, it did not pay for the incomplete work. This previous problem should not discourage the city from clearing the backlog in this department by outsourcing, though. Instead, the city should require a certain level of necessary experience as part of the contract specifications and carefully check references on the lowest responsible bidder.

**Recommendations:**

**A significant amount of time could be saved if the records were computerized using a “user friendly” system.**

**When contracting with the private sector it is necessary to clearly delineate in the specifications exactly what is expected and what the ramifications are for poor performance. It would also be prudent to closely monitor the performance of the contractor.**

**Street Sweeping**

The city has 177 miles of city roads, 29.5 miles of county roads 4.5 miles of state roads and 3.04 miles of federal roads. The city sweeps the municipal and county roads for a total of 5,250 miles per year. The street sweeping operation uses eight sweepers to complete six routes per day. Approximately one third of the city is swept once per week, another third is swept every other week and another third is swept every month, except when weather inhibits this schedule. The operation is well run and organized.

There are ten employees in this function with a combined salary and health benefit cost of \$270,106, \$35,624 in overtime and \$29,240 in other indirect benefits for a cash expenditure of \$305,729. The eight sweepers used in this operation were purchased in 1994 and 1995 for a combined cost of \$821,800. Other operational costs include \$28,300 for maintenance and \$27,067 for broom parts. The total cost is \$443,376 or \$84.45 per mile, which does not include debt service on this equipment.

Private sector contracts range from \$30 per road mile for large multi-year contracts to \$100 per mile for short mileage, short term contracts.

**Recommendation:**

**The city should explore the possibility of savings in this operation through competitive contracting. A contract cost of \$50 per mile would yield a savings of \$150,967 for municipal roads swept and \$29,895 for county roads swept for a combined savings of \$180,862. The city should negotiate with the county for services to offset the cost of sweeping county roads at a current cost of \$29,895, or \$17,700 at a contract price of \$50 per mile.**

**Cost Savings: \$150,967  
Revenue Enhancement: \$17,700 - \$29,895**

**Inspection**

There are seven inspectors whose primary function is to precede the street sweeping operation to ticket or tow vehicles left in the street in violation of the alternate side of the street parking ordinances. In 1996, the operation cost was as follows: salary and health benefit costs were \$224,839, overtime costs were \$10,973, in other indirect

benefit costs were \$29,689, vehicle acquisition and debt service was \$10,500 per year, and there was a vehicle maintenance cost of \$25,424 for a combined cash expense of \$271,736.

Revenue collection for this operation was \$166,355 from towing and \$89,232 from municipal court revenue, for total revenue of \$255,587. A 20% rise in the cost of summonses for alternate side parking violations would make this operation self sufficient. The parking fine for this offense is currently \$20.

**Recommendation:**

**Raise the parking fine by 20% to \$25 for a revenue enhancement of \$17,846. A review of several other cities revealed that their fines are as much as \$43.**

**Revenue Enhancement: \$17,846**

**Vehicle Maintenance**

The public works vehicle maintenance operation maintains 134 vehicles. The turnaround time for vehicle maintenance is reasonably good. The vehicle records are in a condition where it would be impossible to determine what any particular vehicle was costing the city without extensive clerical work. Timely and accurate information is absolutely necessary for the effective and efficient operation of this function. A user friendly fleet maintenance software package and computer are vital to accomplishing this task. The operation was expecting computerization of this fleet maintenance function, but it had not occurred by the time of this review.

The vehicle maintenance operation has eleven personnel. One employee is responsible for the refueling of vehicles, leaving ten to accomplish the tasks involved in actual vehicle maintenance. The salary and health benefit costs were \$357,429, \$35,418 in overtime costs, and \$46,175 in other indirect benefits for a total cash staff expense of \$392,847. This cost plus an operating cost of \$80,647 equals \$475,727 to maintain 134 vehicles. This is a cost of \$3,550 per vehicle. Other municipalities have contracted this service for approximately \$2,700 per vehicle. If the city could achieve this level of efficiency the savings would be \$113,900.

There are some work rules that are needlessly expensive to the taxpayers. For example, while observing operations in another public works' function the team noticed a vehicle that could not leave the yard due to a flat tire. When we asked why that crew didn't change the tire we were told that vehicle maintenance staff had to change the tire. The team went to the field with this function's supervisor and returned 3.5 hours later to find the same vehicle and crew waiting for the flat tire to be fixed. The supervisor of these employees stated that he would need to have this crew work overtime to keep up with the work schedule. The cost of four personnel sitting for 3.5 hours, plus 3.5 hours of overtime to accomplish the work that didn't get done is \$442. This is due to inadequate planning in the vehicle maintenance operation and work rules that do not serve the mission of the public works' department. This does not include the cost of the tire or the labor of the maintenance division mechanic who eventually did the installation.

Fuel Control: The fuel is controlled on a manual system requiring fueling personnel. This is an inefficient method for today's environment. A fuel computer system is a much more efficient method for maintaining control and would allow for the elimination of the position now responsible for refueling vehicles. The related savings are estimated to be \$28,000.

**Recommendations:**

**Not only should greater efficiencies be sought in the vehicle maintenance operation but work rules that prove detrimental to operations should be eliminated.**

**Computerizing the vehicle fueling operation would lead to better control and record keeping and future savings. Approximate savings could be \$28,000 per year less a one-time expense for the computer of approximately \$65,000. The system would be paid for in 2.3 years.**

**Cost Savings: \$28,000**

**Value Added Expense: \$65,000**

### **Police Vehicle Maintenance**

The police department maintains 175 vehicles at a cost of \$308,931 for salaries and health benefits plus \$1,819 for overtime, \$132,712 for other expenses and \$96,050 for purchased extended warranties. The value of other indirect benefits is \$33,555. The total cash cost for police vehicle maintenance is \$539,512. This equates to a cost of \$3,082 per vehicle, which is roughly \$382 per vehicle more than the private marketplace. Possible savings from efficiencies through competitive contracting amount to approximately \$66,850.

### **Fire Vehicle Maintenance**

The fire department maintains 44 vehicles at a cost of \$150,577 for salaries and health benefits, \$1,182 overtime and \$90,706 for other expenses. The value of other indirect benefits is \$18,383. The total cash cost equals \$243,165. This equates to \$5,526 per vehicle. Individually it is normal for fire apparatus to have a higher per vehicle cost than other types of vehicles. However, when fleets are combined to achieve economies of scale the market cost is no different when fire vehicles are included. This is primarily due to the small number of fire apparatus when compared to the total number of vehicles in a combined fleet. In a combined maintenance operation the city could save \$2,826 per vehicle per year for a total of \$124,344 per year.

### **Recommendations:**

**The city needs up-to-date information on the status of its vehicle fleets. Computerization of records in a “user friendly” manner is absolutely necessary for proper management of this operation. The information available from a computerized fleet management program can be used to formulate an effective capital plan that will improve operations and save thousands of dollars. With this information, this operation could discern the point at which a vehicle is costing more to maintain than it would cost to buy a new one.**

**The city should combine the general police and fire vehicle maintenance activities for a total estimated savings of \$305,094. This new operation should organize to the efficiency standards of the private marketplace. The existing facility or facilities could be used for this purpose. If efficient organization/reorganization is not effective, the city should competitively bid for a fleet management company to perform these services.**

**Cost Savings: \$305,094**

### **Custodial**

The custodial operation is responsible for cleaning seven buildings with a combined square footage of 257,460. There are 19 full time and two part time personnel. The total cost of salary and health benefits was \$621,124. The cost of overtime was \$68,599. The value of other benefits is \$53,208. The other expenses were \$84,850. This is a total cost of \$705,974, which is a per square foot cost of \$3.01. Other municipalities have obtained contracted custodial services for as little as \$.76 per square foot. If the municipality could obtain a contract even at 150% of this, the cost would be \$1.13 per square foot. This would be a savings of \$1.88 per square foot for 257,460 square foot, or a total savings of \$484,025.

### **Recommendation:**

**The city should explore the possibility of reorganizing this function to be competitive with the private market place or outsource this service.**

**Cost Savings: \$484,025**

### **Maintenance**

The facilities maintenance operation is accomplished by three employees and one supervisor. The records for this operation are kept manually. A sample review of these records indicated that some were unreadable with important information missing.

Unfortunately, the operation reacts to the latest crisis rather than working on a proactive basis. With three employees and one supervisor to maintain 28 structures and support the parks operation in maintaining another 53 structures, functioning reactively is no surprise. The team has received information that facility maintenance is inadequate in many areas.

**Recommendation:**

**The city should invest in a user friendly computer system to process work orders and facilitate adequate and appropriate record keeping. The reports from such a system could then be used to ascertain the needs of this function and staff it accordingly. The current staffing level does not appear to be adequate but we cannot effectively determine what is needed due to the lack of necessary information.**

### **PARKING AUTHORITY**

The City of Paterson is the guarantor of \$5,165,000 worth of parking authority bonds. The authority, under the direction of a new committee chairperson, is exploring a more cooperative relationship with the city. To enhance the viability of the downtown business district the authority is planning to institute a parking lot shuttle to and from the business and historic districts. The authority has recently been approved for bonding without the city as guarantor.

**We commend the parking authority in its stated goal of better cooperation with the city and the effort to institute shuttle service from the parking facilities to the business and historic districts.**

**Recommendation:**

**The parking authority should explore the possibility of renovating the city's parking garage facades to enhance the historic image the city is attempting to promote.**

### **MUNICIPAL UTILITY AUTHORITY**

In 1981 the Federal Regulatory Commission issued a 40 year license for a restored hydroelectric facility at the Great Falls of Paterson. The city obtained a capital grant from the U.S. Department of Energy equal to 16% of the restoration cost. The Paterson Municipal Utility Authority (MUA) was created as a financing vehicle for this project. Enabling legislation was also secured from the state so that the remaining project cost could be financed through the issuance of tax exempt revenue bonds.

The city sold the existing facility to the MUA in 1982 for \$2,000,000, plus an interest in future revenues of the facility. A \$2,000,000 loan was arranged from the United States Department of Housing and Urban Development (HUD) and secured by anticipated future federal grants to the city. The city used CDBG funds to pay HUD for the \$2,000,000+ loan.

As per the City of Paterson's financial statements, the city carries this debt as a fully reserved receivable in the trust fund. The city is seeking reimbursement from the MUA. The MUA position is that the original loan from the Housing and Urban Development Department was given by the MUA to the city.

**Recommendation:**

**This is obviously a very important issue for the city and the MUA to resolve and we suggest that both parties attempt to do so as soon as possible.**

### **III. STATUTORY AND REGULATORY REFORM**

There were no specific statutory and regulatory reform issues brought to the team's attention by local officials.

## **LOCAL GOVERNMENT BUDGET REVIEW**

James A. DiEleuterio, Jr., State Treasurer  
David Mortimer, Associate Deputy State Treasurer  
John J. Coughlin, Director, Local Government Budget Review

### Paterson City Review Team

Meredith L. Stengel, Team Leader  
Department of the Treasury  
Local Government Budget Review

Jim Bruthers, Division of Taxation  
David Cockerham, Local Government Budget Review  
Matt DeKok, Local Government Budget Review  
Eugene McCarthy, Local Government Budget Review  
John McDonald, Department of Personnel  
Jennifer Petrino, Local Government Budget Review  
Henry Riccobene, Department of Community Affairs  
James Smith, Local Government Budget Review  
Richard Thompson, Local Government Budget Review  
Karen Waldron, Local Government Budget Review

## **APPENDIX A CONTRACT NEGOTIATIONS**

The following is a list of suggested contract changes taken from the body of the report which the city will benefit from.

### **LABOR CONTRACTS**

#### **Personal Leave (Page 22):**

We recommend the standardization of personal leave days allowed. With a limit of no more than three days, the standard allotment in the state, the savings would be \$119,779. In addition, we suggest there be no carryover of unused personal days permitted.

Potential Cost Savings: \$119,779

#### **Terminal Leave (Page 22-23):**

If terminal leave were capped similar to the other contracts at \$12,500, the savings would be \$4,593 or \$4,988 per retiree for police and fire, respectively. Using an average number of retirements per year of 11 and 16, respectively, based on a rate of 4% per year, the total savings would be \$50,523 and \$79,808. We therefore urge that appropriate caps be put in place.

Potential Cost Savings: \$130,331

#### **Night Differential (Page 24):**

The team believes that each portion of this benefit is unnecessary and overly generous and should be eliminated entirely. For police, housing police and fire employees alone, this would save approximately \$509,045 per year.

Potential Cost Savings: greater than \$509,045

#### **Longevity (Page 25):**

We recommend that the city eliminate the provision of longevity to all employees at a savings of \$2,839,443. *As an interim measure*, we recommend that consideration be given to the manner in which longevity pay is provided. This would include payment in the form of a flat dollar amount, instead of a percentage, and a lump sum payment once per year, instead of as an addition to salary. These changes would result in cost reductions in the compounding of percentage increases and pension and overtime costs tied to salaries that now include longevity amounts.

Potential Cost Savings: \$2,839,443

#### **Miscellaneous Labor Contract Provisions (Page 25-27):**

We suggest that the city discontinue the separate use of officers for this activity.

Potential Cost Savings: \$189,132

## **INSURANCE**

### **Cost Savings Initiatives**

Cost Sharing (Page 28-29):

We urge the city's officials to continue to negotiate on the taxpayer's behalf and seek cost sharing alternatives to its health care benefits.

Potential Cost Savings: \$532,485 - \$758,000

Network Changes (Page 29):

We recommend that the city consider all possible healthcare plan options. The recommendations could result in an estimated savings of \$607,854 - \$949,772.

Potential Cost Savings: \$607,854 - \$949,772

Dental (Page 29):

We suggest that the city negotiate a 50% premium sharing option with its employees at an estimated savings of \$267,428.

Potential Cost Savings: \$267,428

Prescriptions (Page 29-31):

We suggest the city consider changes to its prescription network arrangement.

Potential Cost Savings: \$28,033 - \$50,528

We suggest that the city seriously consider the prescription plan change regarding brand name drugs and modification of the retiree benefit as described above. Potential savings are estimated to be at least \$112,475 - \$168,713.

Potential Cost Savings: \$112,475 - \$168,713

Workers' Compensation (Page 31-32):

The city needs to develop and support a city-wide safety program. One key step in this effort would be to reestablish the safety committee and assure that its function is made a high priority. City officials should also investigate the reoccurrence of injuries by location and groups to determine the reasons behind such injuries and subsequently plan to mitigate future occurrences.

We suggest the city only pay that compensation which is required under state statute for workers' compensation.

Potential Cost Savings: \$89,355

## **FIRE**

Fire Leave Time (Page 49):

It is recommended that all leave time be calculated in hours rather than days as a reasonable benefit and that this current cost be taken into account, along with schedule revisions when determining necessary staffing levels.

Potential Cost Savings: \$861,501

## **HEALTH**

Work Week (Page 66-67):

We therefore recommend that the city seek to increase the division's work week to 35 hours for all employees.

Potential Cost Savings: \$39,632

