

**Transitional Aid Application for Application Years CY 2010/SFY 2011**  
**Division of Local Government Services**  
**Department of Community Affairs**

**General Instructions:** This application must be submitted in its entirety by July 16 (for CY 2010) and September 30 (for SFY 2011) for funding consideration under this program. Information contained in the application is subject to independent verification by DLGS. Refer to Local Finance Notice **2010-14** when preparing this application for specific instructions and definitions.

<b>Name of Municipality:</b>		City of East Orange		<b>County:</b>	Essex
<b>Contact Person:</b>		Victoria Y. Walker		<b>Title:</b>	Chief Financial Officer
<b>Phone:</b>	(973) 266 - 5146	<b>Fax:</b>	(973) 266 - 5158	<b>E-mail:</b>	Victoria@ci.east-orange.nj.us
<b>Population:</b>	68,190				

**I. Aid History**

List amount of Discretionary Aid (Extraordinary, Special Municipal, or Capital Cities) received for the last three years, if any:

Prior Year	Previous Year	Previous less one year
\$2,000,000	\$0	\$500,000

**II. Aid Request for Application Year**

<b>Amount of aid requested for the Application Year:</b>	<b>\$8,000,000</b>
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*An aid request does not constitute guarantee of receipt of any funds.*

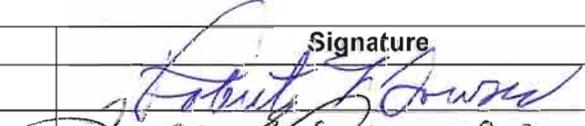
**III. Submission Requirements**

Without exception, the following items must be submitted with or prior to submission of this application. Indicate date of submission of each.

Item	Date Submitted to DLGS
Prior Year Annual Financial Statement	September 10, 2010
Previous Year Annual Audit	May 10, 2010
Previous Year Audit Corrective Action Plan	June 28, 2010
Application Year Introduced Budget	September 27, 2010
Budget documentation submitted to governing body	September 29, 2010

**IV. Application Certification**

The undersigned herewith certify that they have reviewed this application and, to the best of their ability, find its contents to be true and that it accurately portrays the circumstances regarding the municipality's fiscal practices and need for financial assistance. By submitting the application, the municipality acknowledges that the law provides that the decision of the Director regarding aid awards is final and not subject to appeal.

Official	Signature	Date
Mayor/Chief Executive Officer		9/30/2010
Governing Body Presiding Officer		9/30/2010
Chief Financial Officer		9/30/2010

**V-A. Explanation of Need for Transitional Aid**

Explain the circumstances that require the need for Transitional Aid in narrative form. Include factors that result in a constrained ability to raise sufficient revenues to meet budgetary requirements, and if such revenues were raised, how it would substantially jeopardize the fiscal integrity of the municipality. (See item B-5 in Local Finance Notice 2010-14 for details)

Since East Orange's completion of the State Distressed Cities Program in 2001, the City has benefited from a remarkable comeback, including major strides in restoring its fiscal health (e.g., upgrading of bond rating to A1) and the initiation of several critical long-term economic development projects. Yet, a confluence of recent factors beyond the City's control makes it nearly impossible to satisfactorily provide services to the City without significantly increasing the burden on taxpayers:

1. The City is faced with a continued escalating tax rate without a reprieve from Transitional Aid. For FY 2011 the municipal tax levy will increase to \$85,356,208; an 18.79% increase from FY 2010. This represents a 38 tax point increase just for municipal taxes and amounts to a \$950 increase for the average taxpayer.
2. Rising health premiums and other insurance costs between fiscal year 2008 and 2010 rose from \$11,793,730 to \$13,501,531, a 14% increase over a three year period;
3. A major increase in pension costs from SFY 2008 to SFY 2010 – approximately \$2.1 million in additional payments for full pension costs for uniform services and civilian personnel;
4. A 10% increase in public safety costs due to the restructuring of the Police Department; an effort necessary to sustain hard fought double-digit reductions in crime (71% across all seven major FBI categories over a five-year period);
5. A loss of ratables due to the disproportionately high rate of foreclosures in Urban Essex County, and dramatic changes in the housing and credit markets;
6. A continued decline in Consolidated Municipal Property Tax Relief aid;
7. The City has fewer discretionary resources, including a net loss in private foundation grants, reserves and federal grant awards. For example, as indicated below, since 2004 the City has experienced an overall decline in both its CDBG and housing HOME fund allocations:

FY	CDBG	HOME	TOTAL
FY 2004	\$2,025,000	\$915,684	\$2,940,684
FY 2005	\$1,999,000	\$964,725	\$2,963,725
FY 2006	\$1,898,553	\$876,118	\$2,774,671
FY 2007	\$1,712,221	\$524,016	\$2,236,237
FY 2008	\$1,720,992	\$520,500	\$2,241,492
FY 2009	\$1,669,585	\$793,664	\$2,463,249
FY 2010	\$1,713,428	\$882,374	\$2,595,802

8. Finally, while the City has maintained a 94% tax collection rate since FY 2007, other revenue items have continued to decline while operational expenses have continued to increase. The City continues to defend tax appeals due to our 2007 property revaluation. To date we have refunded \$1.5 million in tax revenue to property owners since FY 2010. We expect to refund an additional \$3.0 million before the end of the fiscal year.

**V-B Alternate Eligibility Calculation**

Complete this section only if Discretionary aid **was not** received in the prior year. If the requirements of this section are met, this application must also reflect that the criteria in Section B, items 2-7 of Local Finance Notice 2010-14 are met.

**Part 1** calculates loss of equalized value. If there is a loss of *2% of equalized value*, the eligibility criteria is met and the rest of the form does not have to be completed.

If 2% the criteria is **not** met, continue with Part 2 to identify individual revenue losses (exclusive of State CMPTRA/ETR formula aid reductions) or specific, extraordinary appropriation increases (pursuant to Local Finance Notice 2010-14, Item B-8).

<b>Part 1 – Eligibility of Value Loss</b>	<b>Current Year County Equalization Table County Apportionment</b> <b>(a)</b>	<b>Prior Year Director’s Table Equalized Value</b> <b>(b)</b>	<b>Decrease</b> <b>(c)</b>
<b>Equalized Value Reduction</b>			
<b>Percent of loss from prior year (c) divided by (b) as percent:</b>			
<b>If this exceeds 2%, stop and proceed to the next page.</b>			

**Part 2 – Demonstration of Revenue Loss/Substantial Cost Increase**

Complete Part 2 if eligibility was not met in Part 1. Show extraordinary revenue losses (exclusive of State CMPTRA/ETR aid reductions), but not as the aggregate of many revenue line items; or specific, extraordinary appropriations. Describe the item on the cell below each entry.

<b>Revenue or Appropriation</b>	<b>Prior Year Value</b>	<b>Current Year Value</b>	<b>Amount of Loss/Increase</b>
<b>Description:</b>			

**V-C Actions to reduce future need for aid**

Detail the steps the municipality is taking to reduce the need for aid in the future. Include details about long-term cost cutting and enhanced revenue plans, impact of new development, potential for grants to offset costs, and estimated short and long-term annual savings. Use additional pages if necessary.

**Central Purchasing and Procurement**

A major initiative has been implemented to produce operational savings, by enhancing the centralization of purchases across departments. An inventory control system designed to track and monitor utilization of supplies has been installed. The aim is to accurately gauge the needs of municipal units, control costs, and better coordinate the bulk purchasing of materials and supplies.

**Information Technology and Telecommunications**

Phone service plans have been consolidated under the management of ITT. In selecting one carrier to service all departments in the City, East Orange achieved a 10% savings.

**Personnel Reductions**

Since August 2008, the City instituted a hiring freeze to control personnel costs. The Administration has also instituted a work flow analysis to determine the optimal staffing level required to deliver municipal services for the next several years. The FY 2011 Budget includes \$1,000,000 in layoffs which amounts to 30 employees across all departments and furloughs are also included for approximately 600 civilian employees. For budget projections for FY 2012 to FY 2014 the City contemplates continued reductions in staff from attrition.

**Redevelopment Zones**

Several blighted areas throughout the City have been designated as Redevelopment Zones in hopes of increasing the City's revenue base and ultimately, creating a sustained fiscal recovery.

➤ **Evergreen/Halsted Phase I**

The Evergreen project is \$156 million mixed-use development that will include residential, commercial/retail, and hotel components. The project will also consist of a New Jersey Transit commuter parking deck.

➤ **Lower Main Street**

The newly-designated arts, educational and residential district will hopefully transform the City's downtown. Permitted uses include townhouses, public schools, performing arts/cultural/museums, community theaters, multi-family apartments, retail, banks and financial institutions, and full service eating and drinking establishments

**User Fees**

The City of East Orange has reviewed its Fee Ordinance and increased user fees for various fees and permits, such as Handicapped Parking Fees, Sanitation Fees, Alarm Fees, Taxi-cab License Fees and Zoning Permit Fees.

## VI. Historical Fiscal Statistics

Item	Actual Previous Year	Actual Prior Year	Introduced Application Year
<b>1. Property Tax/Budget Information</b>			
Municipal tax rate	\$1.800	\$2.027	\$2.432
Municipal Purposes tax levy	\$63,331,470	\$71,795,963	\$85,301,933 *
Municipal Open Space tax levy	\$0	\$0	\$0
Total general appropriations	\$129,514,681	\$137,369,064	\$131,526,977 *
* Introduced budget to be amended for pension costs (\$3,192,221)			
<b>3. Cash Status Information</b>			
% Of current taxes collected	94.03%	93.93%	%
% Used in computation of reserve	94.03%	93.93%	93.93%
Reserve for uncollected taxes	\$6,000,000	\$6,355,201	\$7,107,581
Total year end cash surplus	\$4,384,388	\$(11,839,682)	
Total non-cash surplus	\$ 58,649	\$ 13,766,580	
Year end deferred charges	\$ 0	\$ 1,517,014	
<b>4. Assessment Data</b>			
Assessed value (as of 7/1)	\$3,518,713,410	\$3,542,766,285	\$3,506,107,895
Average Residential Assessment	\$ 240,027	\$ 244,530	\$ 242,612
Number of tax appeals granted	109	116	
Amount budgeted for tax appeals	\$ 0	\$ 0	\$ 200,000
Refunding bonds for tax appeals	\$ 0	\$ 0	\$ 1,600,000
<b>5. Full time Staffing Levels</b>			
Uniformed Police - Staff Number	282	278	269
Total S&W Expenditures	\$22,951,942	\$23,190,089	\$21,298,183
Uniformed Fire - Staff Number	162	161	154
Total S&W Expenditures	\$13,194,855	\$14,062,148	\$13,552,631
All Other Employees - Staff Number	662	679	603
Total S&W Expenditures	\$21,564,097	\$23,208,723	\$20,397,238
<b>6. Impact of Proposed Tax Levy</b>			
			<b>Amount</b>
Current Year Taxable Value			3,506,107,895
Introduced Tax Levy (incl amendment to be made for pension costs)			\$120,231,535
Proposed Municipal Tax Rate	2.432	Average Res. Value (#4 above)	242,612
Current Year Taxes on Average Residential Value (#4 above)			\$8,320
Prior Year Taxes on Average Residential Value			\$7,243
Proposed Increase in average residential taxes			\$1,077

**VII. Application Year Budget Information**

A. Year of latest revaluation/reassessment 2007

B. Proposed Budget – Appropriation and Levy Cap Information

Item	Yes	No
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	X	
2. Amount of appropriation cap bank available going into this year	1%	
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance		X
4. Does the Application Year anticipate use of a waiver to exceed the levy cap? If YES, amount:	X	

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Police & Firemen's Retirement System	\$7,499,491	\$9,319,883	\$1,820,392
Group Insurance Plan for Employees	\$10,701,765	\$12,051,782	\$1,350,017
Reserve for Uncollected Taxes	\$6,355,201	\$7,107,581	\$752,380
Settlement/Previous Litigation	\$167,512	\$750,000	\$582,488
Unemployment Insurance	\$417,121	\$804,190	\$387,069
Workers Compensation Insurance	\$468,388	\$793,391	\$325,003

D. List all new property tax funded full-time positions planned in the Application Year:

Department/Agency	Position	Number	Dollar Amount
Property Maintenance	Zoning Inspector	1	\$42,000

E. Display projected tax levies, local revenues (not grants), anticipated (gradually reduced) Transitional Aid, total salary and wages, and total other expenses projected for the three post-application years:

	Tax Levy	Local Revenues	Transitional Aid	Total S&W	Total OE
<b>First year</b>	<b>80,694,503</b>	<b>47,970,769</b>	<b>3,085,527</b>	<b>54,815,407</b>	<b>76,935,392</b>
<b>Second year</b>	<b>83,295,228</b>	<b>47,640,929</b>	<b>1,480,400</b>	<b>54,217,430</b>	<b>78,199,127</b>
<b>Third year</b>	<b>85,250,945</b>	<b>47,966,529</b>	<b>-0-</b>	<b>54,641,778</b>	<b>78,575,696</b>

**VIII. Financial Practices**

A. Expenditure controls and practices:

Question	Yes	No
1. Is an encumbrance system used for the current fund?	X	
2. Is an encumbrance system used for other funds?	X	
3. Is a general ledger maintained for the current fund?	X	
4. Is a general ledger maintained for other funds?	X	
5. Are financial activities largely automated?	X	
6. Does the municipality operate the general public assistance program?		X
7. Are expenditures controlled centrally (Yes) or de-centrally by dept. (No)?	X	
8. At any point during the year are expenditures routinely frozen?	X	
9. Has the municipality adopted a cash management plan?	X	
10. Have all negative findings in the prior year's audit report been corrected? If No, list those uncorrected as an appendix.	X	

B. Risk Management: Indicate ("x") how each type of risk is insured.

Coverage	JIF/HIF	Self	Commercial
General liability		X	
Vehicle/Fleet liability		X	
Workers Compensation		X	
Property Coverage		X	
Public Official Liability		X	
Employment Practices Liability		X	
Environmental		X	
Health	SHBP	X	

C. Salary and Employee Contract Information (when more than one bargaining unit for each category, use average):

Question	Police	Fire	Other Contract	Non-Contract
	2008	2008	2008	2008
Year of last salary increase	2008	2008	2008	2008
Average percentage increase	3.85%	3.85%	3.25%	3.25%
Last contract settlement date	01/28/2008	03/25/2008	03/10/2008	
Contract expiration date	06/30/2010	06/30/2010	06/30/2010	

Explain if any of the following actions have been taken or are under consideration for the Application Year:

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)			YES	YES
One Hour Furloughs for Seven Months				
Wage Freezes (describe below)			YES	YES
5% Salary Reductions for Non Union and Appointed Employees				
Layoffs (describe below)	YES	YES	YES	YES
Labor Cost Reductions to reduce workforce by 2%				

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D. Tax enforcement practices:

Question	Yes	No
1. Does the municipality use the accelerated tax sale program?		NO
2. When was the last foreclosure action taken or tax assignment sale held:	Date:	June 24, 2010
3. During 2009, on what dates were tax delinquency notices sent out:	Date:	3/10,5/25,8/24,11,23
4. Date of last tax sale:	Date:	December 2, 2009

E. Specialized Service Delivery:

If the answer to either question is “Yes,” provide (as an appendix) a cost justification of maintaining the service without changes.

Service	Yes	No
Sworn police or firefighters are used to handle emergency service call-taking and dispatch (in lieu of civilians)		X
The municipality provides rear-yard solid waste collection through the budget		X

F. Other Financial Practices

1. Amount of interest on investment earned in:

Prior Year:	\$982,412	Last Year:	\$306,926	Anticipated Application Year:	\$306,926
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2. List the instruments in which idle funds are invested:

Certificates of Deposit	
Bank Sweep Accounts	

3. What was the average return on investments during CY 2009?

1%
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4. When was the last time fee schedules were reviewed and updated?

July 2010
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F. Status of Collective Negotiation (Labor) Agreements: List each labor agreement by employee group, contract expiration date, and the status of negotiations of expired contracts.

Employee Group	Expiration Date	Status of Negotiations of Expired Agreement
East Orange Superior Officers Association	06/30/2010	In Negotiations
East Orange Fraternal Order of Police	06/30/2010	In Negotiations
East Orange Fire Officers Association	06/30/2010	In Negotiations
EO Firemen’s Mutual Benevolent Assoc.	06/30/2010	In Negotiations
East Orange Fire Dispatchers Association	06/30/2010	In Negotiations
EO Engineering Supervisory Personnel Assoc.	06/30/2010	In Negotiations
EO Communications Workers of America	06/30/2010	In Negotiations









**Section XI – Impact of Limited or No Aid Award**

Describe in complete detail the impact if aid is not granted for the current fiscal year; **this priority setting requires that the municipality will maintain a minimum level of essential services.** List the appropriate category of impact if the aid is not received. Rank each item from both lists as to the order in which elimination will take place. If across the board cuts will be made, indicate under service. **For rank order purposes, consider the two sections as one list. The cuts outlined here are one that the municipality is committing to make if they do not receive aid.**

Rank Order	Department	# of Layoffs	Effective Date	2010 Full Time Staffing	2011 Full Time Staffing	\$ Amount to be Saved
2	Property Maintenance	12	12/01/2010	24	12	\$540,000
3	Recreation	35	01/01/2011	35	0	\$1,500,000
7	Police (Sworn)	10	01/01/2011	267	257	\$1,000,000
6	Fire (Sworn)	4	01/01/2011	157	153	\$450,000

If services will be reduced, describe the service, impact and cost savings associated with it.

Rank Order	Service	Cost Savings	Impact on Services
1	Sanitation Services	\$400,000	Bulky waste collection reduced to once per month, street sweeping eliminated for all but commercial districts
4	20% Across the Board Salary Reductions (Non-Sworn)	\$3.5 Million	Reduction will likely incent early retirements and separations. Low morale will impact quality of customer service.
5	Reduce workweek to 4 days	\$3.0 Million	Reduced access to City Hall for revenue collection and service provision.

**XII. Agreement to Improve Financial Position of Municipality**

**If aid is granted, are you willing to enter into a “memorandum of understanding” that will, among other restrictions and requirements:**

	Yes	No
1. Allow the Director of Local Government Services to assign management, financial, and operational specialists to assess your municipal operations	X	
2. Implement actions as recommended by the Director to address the findings of Division staff	X	
3. Enter into a Memorandum of Understanding	X	

The undersigned herewith acknowledges the foregoing requirements with which the municipality must comply in order to receive aid as outlined above.

In addition, included with this application is a copy (printed or electronic) of the budget documentation that supports the budget calculation that was provided to the governing body.

Mayor *Robert W. Jones* Date *9/30/10*

Chief Financial Officer *Victoria Y. Walker* Date *9/30/10*

ATTEST: *Shellee Pittino* Date *9/30/10*  
*Deputy* Municipal Clerk