

**Transitional Aid Application for State Fiscal Year 2012**  
**Division of Local Government Services**  
**Department of Community Affairs**

**General Instructions:** This application must be submitted in its entirety by **September 2, 2011** for funding consideration under this program. Information contained in the application is subject to independent verification by DLGS. Refer to Local Finance Notice **2011-22** when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 6.

<b>Name of Municipality:</b> Newark City		<b>County:</b> Essex
<b>Contact Person:</b> Susan Jacobucci		<b>Title:</b> Dir. Finance/CFO
<b>Phone:</b> 973-733-3930	<b>Fax:</b>	<b>E-mail:</b> jacobuccis@ci.newark.nj.us

**I. Aid History**

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

CY 2011	CY 2010	FY 2009
\$32,000,000	\$ 0	\$ 12,000,000

**II. Aid Request for Application Year:** (All municipalities currently operating under a Transitional Aid MOU are advised that a decrease from prior year funding is likely.)

<b>Amount of aid requested for the Application Year:</b>	<b>\$ 24,000,000</b>
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*An aid request does not constitute guarantee of receipt of any funds.*

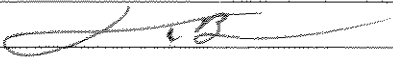
**III. Submission Requirements**

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	Draft attached
Previous Year Annual Audit	Pending – in draft form Rec'd Jan 2012
Previous Year Audit Corrective Action Plan	pending
Application Year Introduced Budget	Not yet introduced, submitted to Council Feb 2012
Budget documentation submitted to governing body	pending

**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		
Governing Body Presiding Officer		

<b>Application Year SFY 2012</b>	Municipality:	County:
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Chief Financial Officer		
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**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.

The City of Newark has been very clear and public regarding its structural deficit. It has been part of its budget planning process since 2006 and the City has taken steps to reduce this structural deficit. Since 2003, the City has relied on upon a settlement from the Port Authority to balance its budget and non-recurring revenues. Additionally, there have been significant increases in both pension and health care costs in the City of Newark. It will take the city some time to correct this imbalance and the projected timeframe has been compromised by the current economic crisis which has impacted our city and other cities around America.

The Mayor's proposed budget cuts Departmental spends from \$337M to \$327M. There are major proposals in the 2012 CY budget including the outsourcing of the Motors Division, and the creation of a Municipal Utilities Authority.

In spite of reductions of expenditures through improved efficiencies and staff reductions through terminations, layoffs and furloughs, and though we have drastically reduce the structural deficit, we are not yet able to eliminate the entire structural deficit. Part of the City's transitional plan to no longer rely on transitional aid to enhance revenue collection in its Special Taxes in the area of payroll, parking and hotel. Although these revenues have increased in the past years, the projected growth has slowed due to general economic conditions. With the cooperation of the State, we expect these revenues to grow in 2012.

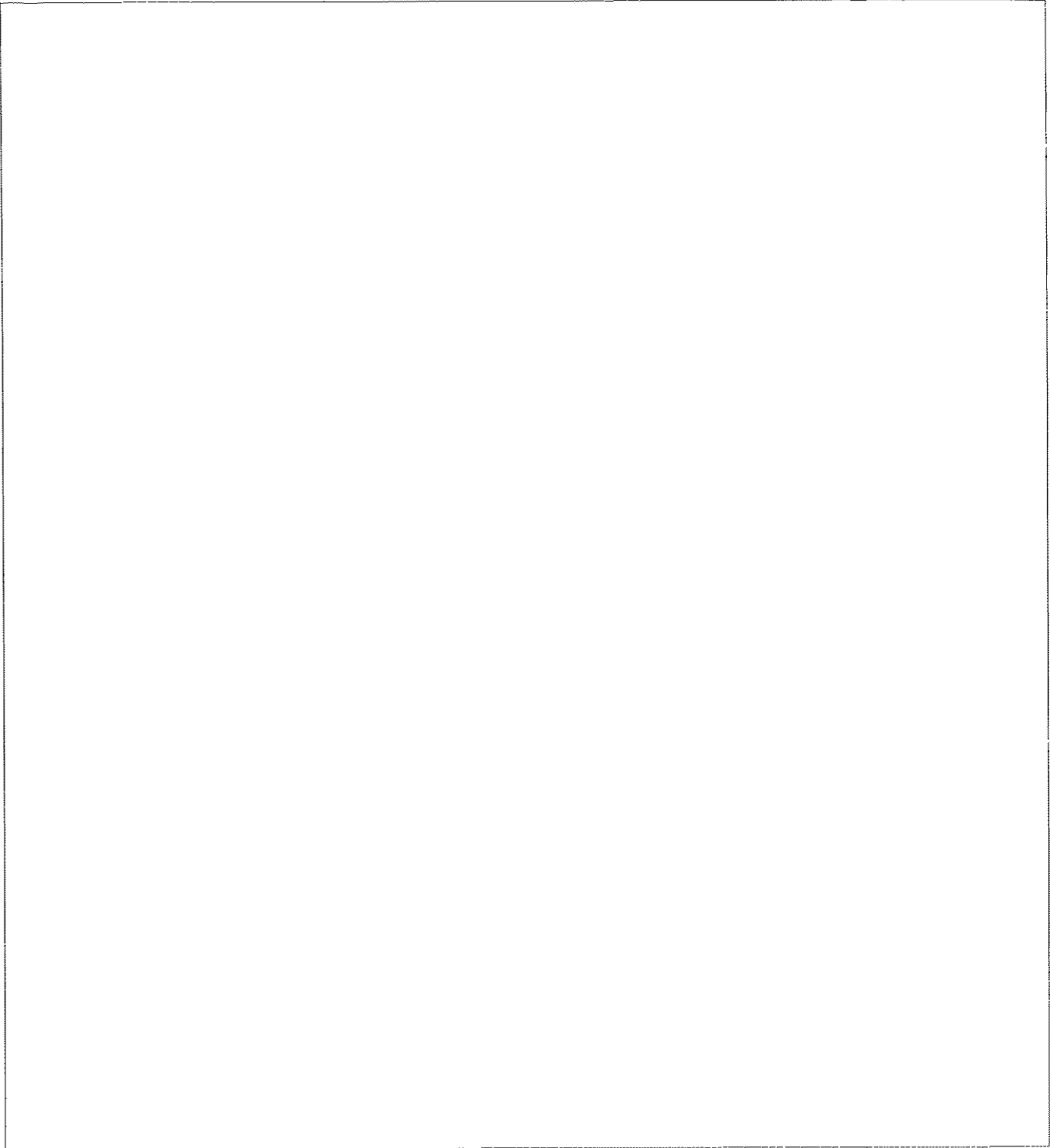
In 2009, the City of Newark embarked on a financial restructuring of its fiscal year budget in anticipation of a significant reduction in revenue resulting from the final payment of a portion of the Port Authority lease payments which were part of the previous settlement with the City of Newark. Additionally, the City had exhausted its pension payment deferral and found itself confronting many of the financial woes experienced by governmental entities throughout the state.

In CY 2010, the City entered the year with a \$90M budget gap in their \$650M+ budget. In order to meet this budget gap, for fiscal year 2010 the City introduced a budget which called for significant reduction in its workforce, a maximum municipal tax levy under the then existing CAP law and a determined reduction in reliance on outsourced contracts. Also included in the 2010 budget were the non-recurring revenue items from the sale-leaseback of approximately \$40M and the sale of the municipally owned garage of approximately \$8.6M.

In 2011, the City's departmental spend was \$337M – down from \$390M in 2009. The City's workforce has also been reduced from approximately 4000 in 2009 to slightly under 3000 in 2011. Generally, the City's revenue collections were up in 2011. The City also participated in an accelerated tax sale in 2011 which exceeded the budgeted projection of \$16M.

It was and is the City's goal to eliminate, to the extent possible, reliance on "one-time" revenues and expenses thus enabling the City of Newark to move to a structurally balanced budget. The efforts initiated in 2009, 2010 and 2011 have resulted in over \$100MD in structural improvements. Additionally, the City has increased its municipal tax levy from a yield of \$125MD in 2009 to an \$189,558,182 MD municipal tax levy for the introduced 2012 budget.

Going into fiscal 2012, the City faced an approximate \$75M budget gap. This is due primarily to the non-recurring revenues in the budget, implications of the TANS and the sale-leaseback and increases in pension and health care costs. With savings realized from the further reduction in force, various cancellations and enhanced revenue ideas, and increasing the taxes to the 2% CAP, the City is still faced with a structural deficit. Despite these positive steps, the 2012 budget still presents an approximate \$25M deficit that cannot be reduced by additional tax levy given the imposition of the 2% CAP. The City receives significant other revenues from various taxes and fees all which were being collected at or above previous year's budgets. The City continues to seek additional revenues sources; more tightly manage its health care options and conservatively negotiate its collective bargaining agreements.



**V-B Alternate Eligibility Calculation**

Complete this section only if Transitional 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 C, items 2-7 of Local Finance Notice 2011-22 are met.

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

If the 2% criterion 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 2011-22, Item B-8).

Part 1 – Eligibility of Value Loss	Current Year County Equalization Table County Apportionment <b>(a)</b>	Prior Year Director’s Table Equalized Value <b>(b)</b>	Decrease  <b>(c)</b>
Equalized Value Reduction	2012 parcel valuation 10,871,403,700	2011 parcel valuation 10,839,929,709	
<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: (1) extraordinary revenue losses (exclusive of State CMPTRA/ETR aid reductions, but inclusive of other aid, including payments under various open space State payments in lieu of tax programs), but not as the aggregate of many revenue line items; and (2) or specific, extraordinary increases in appropriations. Describe the item on the cell below each entry. If applicable, indicate in the description of the extraordinary increase in expenditure if the increase was the result of a policy decision made by the municipality (i.e. a back-loaded debt service schedule, deferred payment, costs associated with additional hires, etc.)

Revenue or Appropriation	Prior Year Value	Current Year Value	Amount of Loss/Increase
Health Insurance	72,625,565	77,916,399	5,000,000 increase
<b>Description:</b>			
Delinquent Taxes	24,000,000	3,000,000	(21,000,000)
<b>Description:</b>	Because of ATLS – a drastic reduction in delinquent tax collection		
Taxi Medallions			(4,000,000)
<b>Description:</b>	Because of injunction was not collected in 2011		
Surplus	25,000,000	10,000,000	(15,000,000)
<b>Description:</b>			
Debt Service	~33,000,000	~37,000,000	4,000,000 increase
<b>Description:</b>			
<b>Description:</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.

The City has been very open about its structural deficit and has been working diligently to reduce costs and increase revenue.

The City started 2012 with an approximate \$75 million dollar budget gap. After considering and beginning to implement several revenue enhancements and appropriation reductions, the City now has a \$24,000,000 budget gap – a reduction of over \$50,000,000. These measures include an advanced tax lien sale; adding more intersections for red light cameras; selling additional taxi medallions(not realized in 2011 – expected in 2012); and cancellation of encumbrances. Despite the national, state and regional economy, the City of Newark is experiencing increased development and growth. This past year has seen the start of two new hotels on Broad Street, the start of the planned Teachers Village, the transfer to Newark of Manischewitz, Panasonic and the headquarters of Audible.com. These opportunities will present enhanced property and payroll taxes, and bring “collateral income” to the City.

The City currently relies on over 650 grants. Most of these grants are related to health and welfare within the Department of Child and Family Well Being. The Police, Fire and Economic and Housing Development also rely of federal, state and county grants. According to Rutgers economists, there are fewer grants in the marketplace for cities such as Newark to access. The City continues to aggressively pursue grant funding opportunities.

The City’s work force has been reduced from 4000 employees to approximately 2900 employees in 2012.

One must note that the City experienced over \$17 million dollars in costs from Hurricane Irene and subsequent storms and flooding. Approximately 15 million dollars of this cost was damage to various capital structures and equipment. This further burdens the taxpayers of Newark.

The City will continue to develop solutions for proposed revenues, some of which may require legislative approval and will work with its various Departments to achieve additional savings in its workforce and outsource contracts.

## VI. Historical Fiscal Statistics

Item	2010	2011	Introduced Application Year
<b>1. Property Tax/Budget Information</b>			
Municipal tax rate	\$1.487	\$1.607	\$1.743
Municipal Purposes tax levy	\$160,061,175.75	\$174,220,970.47	\$189,558,182
Municipal Open Space tax levy	\$0	\$0	\$0
Total general appropriations	\$717,001,891.66	635,874,317.74	\$571,892,580.00
<b>2. Cash Status Information</b>			
% Of current taxes collected	92.04%	94.90%	%
% Used in computation of reserve	91.5%	89.05%	Accelerated Tax Sale%
Reserve for uncollected taxes	\$29,375,000	\$15,527,000	\$19,444,000
Total year end cash surplus	\$14,711,615.67	\$4,066,449.53	
Total non-cash surplus	\$	\$	
Year end deferred charges	\$1,749,322	\$2,222,588.47	
<b>3. Assessment Data</b>			
Assessed value (as of 10/1)	\$10,763,710,300	\$10,839,929,709	\$10,871,403,700
Average Residential Assessment	\$175,500	\$175,500	\$175,500
Number of tax appeals granted	226	679	
Amount budgeted for tax appeals	\$2,000,000	\$2,000,000	\$2,000,000
Refunding bonds for tax appeals	\$6,735,600	\$5,930,000	rollover Anticipated; may be additional TARNs
<b>4. Full time Staffing Levels</b>			
Uniformed Police - Staff Number	1210	1130	1131
Total S&W Expenditures	\$114,579,798	\$113,623,128	\$115,505,061
Uniformed Fire - Staff Number	524	548	547
Total S&W Expenditures	\$59,677,870	\$55,890,468	\$55,390,711
All Other Employees - Staff Number	1252	1415	1341
Total S&W Expenditures	\$73,645,846	\$53,048,838	\$54,555,214

### 5. Impact of Proposed Tax Levy

			Amount
Current Year Taxable Value			10,871,403,700
Introduced Tax Levy			386,378,371
Proposed Municipal Tax Rate	\$1.743	Average Res. Value ( #4 above)	175,500
Current Year Taxes on Average Residential Value ( #4 above)			6,237.27
Prior Year Taxes on Average Residential Value			X5840.64
Proposed Increase in average residential taxes			396.63

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**VII. Application Year Budget Information**

A. Year of latest revaluation/reassessment

2003 – currently in reval – will be applied in 2013

B. Proposed Budget – Appropriation Cap Information

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

	Yes	No
	X	
3.5%		
\$82,428,175.19		
		X
\$83,403,607		
		X
\$		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Health Benefits	72,625,565	77,916,399	5,290,834
Municipal Debt Service	33,142,634	37,114,323	3,971,689
PFRS	48,413,779	45,324,660	(3,089,119)
PERS	10,503,550	11,429,929	1,276,379
School Debt Service	14,890,602	14,179,455	(711,147)

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

Department/Agency	Position	Number	Dollar Amount

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:

	<b>Tax Levy</b>	<b>Local Revenues</b>	<b>Transitional Aid</b>	<b>Total S&amp;W</b>	<b>Total OE</b>
<b>First year 2011</b>	\$174,220,970	\$237,104,215	<b>\$32,000,000</b>	397,891,278	\$158,335,898
<b>Second year<sup>1</sup></b>	\$189,558,182	\$444,088,532	<b>\$24,000,000</b>	\$417,957,589	\$134,490,757
<b>Third year</b>	\$193,349,345	\$450,000,000	<b>\$15,000,000</b>	\$437,000,000	\$135,000,000

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<sup>1</sup> 2% of previous year

### 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?	2010X	
10. Have all negative findings in the prior year's audit report been corrected?		X
If No, list those uncorrected as an appendix.		pending

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

Question	Police	Fire	Other Contract	Non-Contract
Year of last salary increase	2011	2011	2006	2006
Average percentage increase	2.75%	2.75%	2.5%	2.5%
Last contract settlement date	2009	2009	2006	
Contract expiration date	2012	2012	2008	

2) 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)	none	none	X	X
2010 saw furloughs in all Departments except Police and Fire				
Wage Freezes (describe below)			X	X
Wage freeze for all unions except those with current contracts				
Layoffs (describe below)	X	X	X	X
2010 saw a RIF of over 800 Newark personnel including Police and Fire				

**D. Tax Enforcement Practices:**

Question	Yes	No
1. Does the municipality use the accelerated tax sale program?		X
2. When was the last foreclosure action taken or tax assignment sale held: <span style="float: right;">Date:</span>	2011	
3. On what dates were tax delinquency notices sent out in 2010: <span style="float: right;">Date:</span>	Apr./July/Oct./Dec	
4. Date of last tax sale: <span style="float: right;">Date:</span>	Dec 2010	

**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:	\$850,484	Last Year:	\$4,170,000	Anticipated Application Year:	\$2,000,000
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2. List the instruments in which idle funds are invested:

Certificate of Deposit with various banking institutions	
Notes	

3. What was the average return on investments during CY 2010?

	%
Annually – revised as needed	

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

**G. 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
See the attached chart		

<b>Application Year SFY 2012</b>	Municipality: Newark	County: Essex
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**IX-A. List actions that limited Salary and Wage costs: i.e., layoffs, furloughs, freezes, contract concessions, etc.  
(See item C-3 in Local Finance Notice 2011-22 for details)**

S&W Line Item	Prior Year Actual	Application Year Proposed	Explanation of Change

**IX-B. List actions that limited or reduced Other Expense costs: i.e., reductions, changes, or elimination of services, procurement efficiencies or restraint. Include changes in spending policies that reduce non-essential spending.**

Line Item	Prior Year Actual	Application Year Proposed	Explanation of Change

**IX-C. Evaluate existing local revenues, as to whether or not the rates or collections can be increased or imposed, and if so, how changes will be implemented; i.e., recreation fees, utility fees, land use fees, construction, housing, and fire code.**

Local Revenues and services provided through the General/Current Fund	Check if services is provided	Are fees charged to cover the costs of the program?	If fees do not cover costs, what is the amount of subsidy?	If there is a subsidy, explain why fees cannot be increased to reduce or eliminate subsidy.
Recreation programs	<input checked="" type="checkbox"/>	no		
Sewer Fees	<input checked="" type="checkbox"/>			Rate increase proposed 2011
Water Fees	<input checked="" type="checkbox"/>			Rate increase proposed 2011
Swimming Pool	<input checked="" type="checkbox"/>	no		
Uniform Construction Code	<input checked="" type="checkbox"/>			
Uniform Fire Code	<input checked="" type="checkbox"/>			
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input type="checkbox"/>	Parking Taxes		Newark has a Parking Authority
Beach Fees	<input type="checkbox"/>	n/a		
Insert other local fees below:	<input type="checkbox"/>			
Special Taxes include:				
Payroll Taxes				Self reporting
Parking Taxes				
Car Rental Tax				Obligated by statute to go to development



**X. Service Delivery**

List all services that the municipality contracts to another organization: i.e., shared services with another government agency, including formal and informal shared services, memberships in cooperative purchasing program, private (commercial), or non-profit organization.

Service	Name of Contracted Entity	Estimated Amount of Contract	Year Last Negotiated (as applicable)
<b>Mutual Aid Agreements-Fire</b>	<b>Neighboring Communities</b>		
<b>Emergency Medical Services</b>	<b>UMDNJ</b>	<b>4.5m</b>	
<b>Water Treatment Operations</b>	<b>Newark Watershed Conservation Dev. Corp.</b>	<b>8.4m</b>	
<b>Worker's Compensation Third Party Administrator</b>	<b>CCMSI</b>	<b>6m</b>	
<b>Refuse Collection</b>	<b>ACE and Action Carting</b>	<b>10.3m</b>	
<b>Recycling</b>	<b>First Occupational Center</b>		
<b>Street Sweeping</b>	<b>DeJanna</b>		

Application Year SFY 2012	Municipality: Newark	County: Essex
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**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

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

Rank Order	Service	Cost Savings	Impact on Services


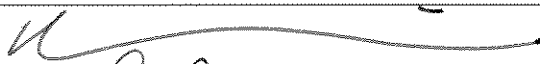

**XII. Agreement to Improve Financial Position of Municipality**

If aid is granted, the municipality will be required to submit to certain reporting conditions and oversight as authorized by law and a Memorandum of Understanding will need to be signed. Please mark each box below indicating that the applicant understands, and agrees to comply with these broad reporting and oversight provisions.

	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 directed by the Director to address the findings of Division staff.	X	
3. Enter into a Memorandum of Understanding and comply with all its provisions, without exception.	X	

**XIII. Certification of Past Compliance for Municipalities Currently Operating Under a Transitional Aid MOU:**

The undersigned certify that the municipality has complied with all the conditions and requirements of 2010 MOU conditions, including, but not limited to, the following: submission of a Transition Plan, adoption of a pay to play ordinance, receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor:  Date: \_\_\_\_\_  
 Chief Financial Officer:  Date: \_\_\_\_\_  
 Chief Administrative Officer:  Date: 3/15/12

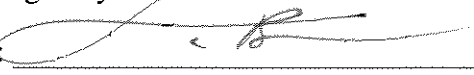


**XIV. CAMPS Certification (Civil Service municipalities only)**

For Civil Service municipalities, the undersigned, being knowledgeable thereof, hereby certify that the municipality has placed the names of all current civil service employees in the NJ "CAMPS" system.

Human Resources or Personnel Director:  Date: 3-15-12  
 Chief Financial Officer:  Date: \_\_\_\_\_

**XV. CERTIFICATION OF APPLICATION FOR TRANSITIONAL AID**

The undersigned 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:  Date: \_\_\_\_\_  
 Chief Financial Officer:  Date: \_\_\_\_\_  
 Chief Administrative Officer:  Date: 3/15/12