

Transitional Aid Application for Calendar Year 2015
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by March 16, 2015 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2015-4 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7.

Name of Municipality:	TOWN OF KEARNY	County:	HUDSON
Contact Person:	SHUAIB FIROZVI	Title:	CFO
Phone:	201-95-7897	Fax:	201-955-9221
E-mail:	sfirozvi@kearnynj.org		

I. Aid History

List amount of Transitional Aid received for the last three years, if any:

CY 2014	CY 2013	CY 2012
\$2,500,000.00	\$0.00	\$0.00

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.)

Amount of aid requested for the Application Year:	\$2,125,000.00
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2015-4.

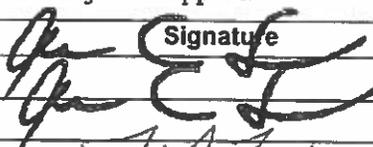
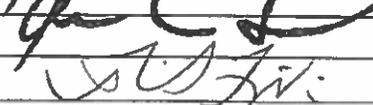
III. Submission Requirements

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
2014 Annual Financial Statement	February 10, 2015
2013 Annual Audit	August 20, 2014
2013 Corrective Action Plan	November 12, 2014
Application Year Introduced Budget	March 16, 2015
Budget Documentation Submitted to Governing Body	March 10, 2015

IV. Application Certification

The undersigned herewith certify that they he or she has reviewed this application and, to his or her knowledge, believe the contents to be accurate true and represent 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		03-16-2015
Governing Body Presiding Officer		03-16-2015
Chief Financial Officer		03-16-2015

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 Town of Kearny's 2015 introduced budget calls for a tax increase of \$2,439,438 or 6% over 2014 that translates into 22 tax points or \$227.68 for an average assessment of \$95,127.00. The Town has the ability to raise taxes because of tax levy banks from 2013 and 2014. The Town has had tax increases every year and has reduced its workforce through attrition across the board; however, a significant drop in surplus from \$2.40 million to \$1.90 million has led to this significant budget gap. In addition, there was a reduction in the Town's ratable base from 2011 to 2013 due to the effects of the economic recession and Sandy Superstorm in 2012 which had a material impact on south Kearny's industrial peninsula and resulted in a high number of tax appeals. The ratable base grew slightly by 0.20% in 2014; however, the growth was not enough to cover the reduction in 2012 and 2013. The current manpower for both police and fire are under the staffing mandated by the tables of organization and any additional staffing cuts would jeopardize public safety. Non-uniform departments across the Town are staffed by reduced personnel and part-time staff which is having a negative impact on the daily operations of the Town; many town services are now subject to delays. For example, construction permits are on a two to four week turnaround, tree trimming services are up to two months behind, etc.

V-B. Demonstration of Revenue Loss/Substantial Cost Increase

Show: (1) specific, extraordinary revenue losses, but not as the aggregate of many revenue line items; and (2) specific, extraordinary increases in appropriations, but not as the aggregate of many appropriation line items. 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	2014 Value	2015 Value	Amount of Loss/Increase
Surplus Anticipated	\$2,400,000.00	\$1,200,000.00	\$1,200,000.00
Description:			
Recycling Receipts	\$208,000.00	\$31,000.00	\$177,000.00
Description:			
NJMC Host Agreement	\$1,343,000.00	\$1,224,000.00	\$119,000.00
Description:			
FEMA Reimbursement	\$82,000.00	\$0.00	\$82,000.00
Description:			
S. Kearny Litigation Settlement	\$435,000.00	\$0.00	\$435,000.00
Description:			
Capital Fund Surplus	\$62,000.00	\$0.00	\$62,000.00
Description:			
Clean Earth	\$83,000.00	\$28,000.00	\$55,000.00
Description:			

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. (Items included in a Transition Plan submitted by a current recipient need not be repeated here.)

There is ongoing negotiations with designated developers for the redevelopment of over 200 acres of property in south Kearny owned by the Town of Kearny and the Hudson County Improvement Authority. The proposed development contemplates light industrial and warehousing redevelopment that could generate up to \$3 million annually in PILOT payments. The Town's parcel of approximately 25 acres would also be sold or leased to the designated developer. This project was recently delayed by a NJ Transit proposal to take this property for use as an energy grid to power NJ transit trains.

The Town has other redevelopment areas, with the potential for new retail and housing development, on Passaic, Schuyler and Harrison Avenues. Two PILOT agreements have been entered into for properties in these areas that are expected to generate an additional \$200,000 per year beginning in 2016.

The Town of Kearny has set forth terms for a regional fire department with the Town of Harrison that would generate savings for Kearny. Kearny is open to negotiations on a regional fire department.

V-D. Discussion of Health Benefits

Skip this section if using SHBP. If not using SHBP, explain why the health benefit plan being used is cheaper, or what reasons exist for failing to move to SHBP. Additionally, list all brokers (primary broker, all co-brokers, and sub-brokers) together with their compensation for the current and prior two fiscal years. Compensation must be disclosed in this section whether provided directly by the municipality or as a commission from the insurance provider. It is the municipality's right, and obligation, to determine whether the broker is compensated with commission in order to fully complete this section. If commissions are being earned, provide both how the commission is calculated (percentage of premium or self-insurance) and the actual \$ value of the commission received in each year.

N/A

VI. Historical Fiscal Statistics

Item	2013	2014	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$3.733	\$3.872 <i>3.771</i>	\$4.096 <i>3.99</i>
Municipal Purposes tax levy	\$39,616,862.00	\$40,803,617.20	\$43,243,055.50
Municipal Open Space tax levy	\$0.00	\$0.00	\$0.00
Total general appropriations	\$74,792,726.89	\$75,844,106.20	\$76,086,161.87

39,728,798

42,112,526

2. Cash Status Information			
% Of current taxes collected	98.22%	98.13%	%
% Used in computation of reserve	98.00%	98.00%	98.00%
Reserve for uncollected taxes	\$2,425,000.00	\$2,500,000.00	\$2,500,000.00
Total year end cash surplus	\$0.00	\$0.00	
Total non-cash surplus	\$2,415,237.62	\$1,948,723.49	
Year end deferred charges	\$1,480,000.00	\$1,598,000.00	

*4.095
incl FI
3,895
+317*

3. Assessment Data			
Assessed value (as of 7/1)	\$1,060,974,634	\$1,053,625,518 <i>✓</i>	\$1,055,734,435 <i>✓</i>
Average Residential Assessment	\$94,650.00	\$94,750.00	\$95,127.00
Number of tax appeals granted	45	23	
Amount budgeted for tax appeals	\$0.00	\$0.00	\$0.00
Refunding bonds for tax appeals	\$0.00	\$0.00	\$0.00

4. Full time Staffing Levels			
Uniformed Police - Staff Number	98	99	98
Total S&W Expenditures	\$14,309,778.00	\$14,520,564.17	\$14,200,000.00
Uniformed Fire - Staff Number	83	84	91
Total S&W Expenditures	\$10,103,231.00	\$10,477,498.17	\$10,700,000.00
All Other Employees - Staff Number	162	160	160
Total S&W Expenditures	\$4,745,951.00	\$4,981,957.66	\$5,116,000.00

5. Impact of Proposed Tax Levy

			Amount
Current Year Taxable Value			\$1,055,734,435.00
Introduced Tax Levy			\$43,243,055.50
Proposed Municipal Tax Rate	\$4.096	Average Res. Value (#4 above)	\$95,127.00
Current Year Taxes on Average Residential Value (#4 above)			\$3,896.40
Prior Year Taxes on Average Residential Value - Municipal			\$3,668.72
Proposed Increase in average residential taxes - Municipal			\$227.68

*2014 AH
94,906*

(217)

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment 1984

B. Proposed Budget – Appropriation Cap Information

Item	Yes	No
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	X	
3.50%		
2. Amount of appropriation cap bank available going into this year		
\$5,041,629.51		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance		X
\$2,261,768.00		
4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap? If YES, amount:		X
\$		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Passaic Valley Sewer	\$4,165,930.94	\$4,324,000.00	\$158,069.06
Health Benefits	\$10,435,514.22	\$10,900,000.00	\$464,485.78
Fire Salaries	\$10,477,498.17	\$10,700,000.00	\$222,501.83
Capital Improvement Fund	\$161,063.00	\$250,000.00	\$88,937.00
Joint Insurance Fund	\$1,157,609.60	\$1,218,000.00	\$60,390.40

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

Department/Agency	Position	Number	Dollar Amount
Police	Policeman (Budgeted – 9 Months)	10.00	\$240,000.00
Fire	Fireman (Budgeted – 4 Months)	10.00	\$165,000.00

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
First year	\$43,500,000.00	\$31,000,000.00	\$1,500,000.00	\$31,000,000.00	\$45,000,000.00
Second year	\$45,000,000.00	\$32,000,000.00	\$1,000,000.00	\$32,000,000.00	\$46,000,000.00
Third year	\$46,500,000.00	\$33,000,000.00	\$0.00	\$33,000,000.00	\$46,500,000.00

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 not, be prepared to discuss why not in your application meeting.		

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				
Average percentage increase	%	%	%	%
Last contract settlement date				
Contract expiration date	Please refer to Exhibit # 1 at the end.			

2) Explain, if any, actions that have been taken or are under consideration for the Application Year:

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)	NONE			
Wage Freezes (describe below)	NONE			
Layoffs (describe below)	NONE			

Application Year: CY 2015	Municipality: KEARNY	County: HUDSON
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D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2014 budget? If not, please include a letter from the tax collector explaining why he/she failed to complete the sale in a timely manner and what the impacts were on cash flow and lost investment earnings.		X
2. When was the last foreclosure action taken or tax assignment sale held: Date:	2011	
3. On what dates were tax delinquency notices sent out in 2014: Date:	2 Weeks - Due Date	
4. Date of last tax sale: Date:	12-15-2014	

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) <i>Only Fire Department has been changed to Civilians</i>	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:

2013	\$103,264.85	2014	\$86,801.33	Anticipated Application Year:	\$86,000.00
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2. List the instruments in which idle funds are invested:

Municipal Checking Account <i>(Minimum Interest Rate of 0.75% Negotiated)</i>	

3. What was the average return on investments during SF2014?

4. Left Blank Intentionally

5. The name and firm of the municipality's auditor?

6. When was the last time the municipality changed auditors?

0.75%
Steven Wielkocz - Ferraioli, Wielkocz, Cerullo & Cuva
2001

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
Please refer to Exhibit # 1 at the end.		

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
			Town of Kearny has maintained flat Operating Expenses budget for the past number of years in addition to scrutinizing purchase requisitions from department heads on a regular basis.
			Competitive pricing is sought for all items purchased throughout the Town in addition to participating in State and/or County cooperative purchasing, and going out for competitive bids for larger purchases.
			Only increases allowed in Operating Expenses are for items beyond the control of the Town, such as aging fleet of vehicles, critical improvements to the aging facilities, and of course dealing with natural events such as Snow Storms and Hurricanes.
			Most of the increases in Other Expenses are for statutory items such as PVSC Sewer, Debt Service, and Health Benefits.

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	2013 Full Time Staffing	2014 Full Time Staffing	\$ Amount to be Saved
	Considering the level of personnel reduction					
	already in place through attrition, Furloughs may					
	be the only option the Town would consider if Aid					
	is limited or if there is no award.					

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

Rank Order	Service	Cost Savings	Impact on Services
			Considering the level of personnel reduction already in place,
			reducing services, such as Police, Fire, or DPW would
			jeopardize the health and public safety of the Town residents.

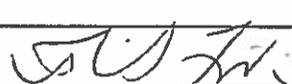
XII. Agreement to Improve Financial Position of Municipality

If aid is granted, the municipality will be required to submit to certain reporting conditions and oversight as authorized by law and a new 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 new Memorandum of Understanding and comply with all its provisions, without exception.	X	

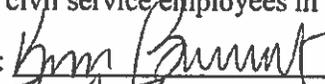
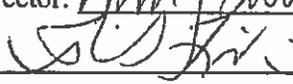
XIII. Certification of Past Compliance for Municipalities Currently Operating Under a Transitional Aid MOU:

The undersigned certify that the municipality is in substantial compliance with the conditions and requirements of the 2014 MOU and is moving in good faith to correct those area of noncompliance that have been identified, including, but not limited to, the following: establishment of a pay to play ordinance; termination of longevity pay for officers and employees not contractually entitled to longevity pay; termination of health benefits for part time officers and employees; receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor:  Date: 3-16-15
 Chief Financial Officer:  Date: 3/16/15
 Chief Administrative Officer: _____ Date: _____

XIV. CAMPS Certification (County and Municipal Personnel System - 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 NJ "CAMPS".

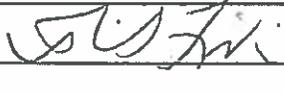
Human Resources or Personnel Director:  Date: 3/16/15
 Chief Financial Officer:  Date: 3/16/15

Application Year: SFY 2015	Municipality: KEARNY	County: HUDSON
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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: 3/16/15

Chief Financial Officer:  Date: 3/16/15

Chief Administrative Officer: _____ Date: _____

Transitional Aid Application

Exhibit # 1

TOWN OF KEARNY

SUMMARY OF LABOR CONTRACTS

HUDSON COUNTY

Group	Union	Members/Employees Included	Term of Contract	Average Increase
POLICE	PBA	Police Officers	JAN 2013 - DEC 2015	0.9521%
	PSOA	Police Superior Officers	JAN 2013 - DEC 2015	0.9521%
FIRE	FMBA	Firefighters	JUL 2012 - DEC 2016	Fixed \$ Amount
	FSA	Fire Superior Officers	JUL 2012 - DEC 2015	1.50%
NON-UNIFORM	DH/ADH	Supervisors & Middle Management	JAN 2013 - DEC 2016	1.57%
	CS-11	Civil Service Employees	JAN 2013 - DEC 2014	1.75%
	GUARDS	Crossing Guards	JAN 2013 - DEC 2014	1.75%
EXEMPT EMPLOYEES	N/A	Department Heads / Assistant Dept. Heads Confidential Employees	JAN 2012 - DEC 2014	1.25%

All contracts settled include new and revised salary guide with substantial reduction in starting salaries, and higher number of steps to reach the maximum salary.

All the above contracts settled are in compliance with the 2% CAP on total compensation increase including amounts for longevity increases, and step increases for members within the group.

