

**Transitional Aid Application for Calendar Year 2017**  
**Division of Local Government Services**  
**Department of Community Affairs**

**General Instructions:** This application must be submitted in its entirety by March 24, 2017 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2017-4 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7 of the Local Finance Notice.

<b>Name of Municipality:</b>		Newark		<b>County:</b>	Essex
<b>Contact Person:</b>		Jack Kelly		<b>Title:</b>	Business Administrator
<b>Phone:</b>	(973) 733-3398	<b>Fax:</b>	(973) 733-3769	<b>E-mail:</b>	kellyj@ci.newark.nj.us

**I. Aid History**

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

CY 2016	CY 2015	CY 2014
\$ 9,466,289	\$ 10,000,000	\$ 10,000,000

**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>	\$ 9,000,000
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*If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2017-4.*

**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
2016 Annual Financial Statement	04/08/17
2015 Annual Audit	11/15/16
2015 Corrective Action Plan	03/29/17
Application Year Introduced Budget	7/19/17
Budget Documentation Submitted to Governing Body	7/11/17

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		07/24/17
Governing Body Presiding Officer		
Chief Financial Officer	Dannelle H. Smith	7/25/17
Chief Administrative Officer		7-24-17

**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.

Despite the City substantially reducing its workforce during the last decade the City's operating budget remains structurally unbalanced. The current administration continues to chip away at an inherited \$50 million operating deficit along with the myriad of deferred charges left by the previous administration. The most taxing of the deferred charges include unsettled labor contracts dating back to 2013, unsettled tax appeals some originating in 2003, unpaid health care premiums and DEP related cleanup costs from an unauthorized transfer station.

Although the City received \$10 million in TA in 2015, the LFB still found it necessary to adopt the City's budget with an 8.67% increase in the levy. This amount is significant when one reviews the entire fabric of the City's residential tax base; low percentage of home ownership, aged and dilapidated structures requiring inordinate maintenance, median family income significantly below County and State averages, a foreclosure rate above State and County averages, high unemployment, an inordinate homeless population, etc.

Considering hundreds of tax sale certificates default to the City every year one would hypothesize high taxes is the common thread, and if not high taxes, but rather the perception of public safety, underperforming schools and aged infrastructure were to top the list, each would require additional funding resources from a budget already delicately balanced.

Those items employed to mitigate higher property taxes in 2017 include a switch to the SHBP (taking advantage of the plans two month premium holiday), continued utilization of the car rental tax (\$7.9 million) originally designed to spur economic development, advanced cancellation of 2016 appropriation reserves, FEMA reimbursement and savings from debt refinancing.

As introduced, including School and County Taxes, and with Transitional Aid anticipated at \$8,203,013 (down \$1.3 million from last year's award), the tax rate will increase 3.5%.

**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	2016 Value	2017 Value	Amount of Loss/Increase
<b>Description:</b>			
Debt Service	45,700,000	51,300,000	6,600,000
<b>Description:</b>			
Payroll Taxes	48,348,509	48,285,000	63,509
<b>Description:</b>			
Courts	10,941,624	10,500,000	441,624
<b>Description:</b>			
Car Rental	7,958,513	7,950,000	8,513
<b>Description:</b>			
<b>Description:</b>			
Passaic Valley Sewage Commission	796,791	0	796,791
<b>Description:</b>			
Emergency Medical Services	632,442	2,500,000	1,867,558
<b>Description:</b>		0	
<b>Description:</b>			
Retroactive Pay Police	0	5,000,000	5,000,000
<b>Description:</b>			
Overtime Police	0	2,700,000	2,700,000
<b>Description:</b>			
<b>Description:</b>			
<b>Total:</b>			17,477,995

**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.)

**Long term cost cuttings:**

1. Adopt Ordinance implementing direct deposit.
2. Contract with vendor to provide police and fire dispatch.
3. Reduce amount paid to University Hospital for ambulance service.
4. Migrate phone system to VOIP.
5. Reduce starting salary for police and fire, increase steps.
6. Strive to reduce size of work force.
7. Reduce Health Care Cost.

**New Development:**

1. Housing Completed
  - \* Lincoln Park Townhomes
  - \* 999 Broad Street
  - \* Terry Park(Sylvan Avenue)
2. Housing under construction:
  - \*NJ Park – One Theatre Square
  - \*A Better Life (14<sup>th</sup> Avenue and Camden Street)
  - \*Residence at Symphony Hall (395 Halsey Street)
  - \*Nina Simone House (Clinton Avenue)
  - \*Riverside Arms Apartments (Chester Street)
  - \*One Riverview at Rector Street
3. Recent Downtown Area Headlines
  - \*Reopening of the Hahne's Building
  - \*Sold the Bears Stadium
  - \*Whole Foods
  - \*Hello Fresh
  - \*Triangle Park becomes Mulberry Commons
4. Development is attracting and expanding job-creating businesses
  - \*Audible expansion
  - \*Burlington Coat Factory coming soon
  - \*Ironbound Distillery coming soon
  - \*Ironsides Warehouse approved for renovation
  - \*Morris Blanchard (Fabuwood)
  - \*256 Vanderpool Warehouse approved for construction

**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 or risk manager, 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.

The City is moving to the SHBP on August 1, 2017. The City does not have a Broker.

## VI. Historical Fiscal Statistics

Item	2015	2016	Introduced Application Year
<b>1. Property Tax/Budget Information</b>			
Municipal tax rate	\$ 1.731	\$ 1.781	\$ 1.824
Municipal Purposes tax levy	\$ 213.628.741	\$ 217.901.316	\$221.605.622.60
Municipal Open Space tax levy	\$ 1.234.595	\$ 3.670.830	\$ 3.645.330.09
Total general appropriations	\$ 652.845.300	\$ 657.980.089	\$665.803.639.17
<b>2. Cash Status Information</b>			
% Of current taxes collected	96.11%	96.34%	%
% Used in computation of reserve	96.11%	96.34%	96.34% <sup>a</sup>
Reserve for uncollected taxes	\$ 16.201.150.46	\$16.290.668.82	\$16.103.000.00
Total year end cash surplus	\$ -0-	\$ -0-	
Total non-cash surplus	\$ 29.554.235	\$ 10.450.520	
Year end deferred charges	\$ 10.000.000	\$ 4.077.539	
<b>3. Assessment Data</b>			
Assessed value (as of 1/10)	\$ 12.345.954.600	\$ 12.236.101.176	\$ 12.151.100.300
Average Residential Assessment	\$ 172.125	\$ 172.125	\$ 175.203
Number of tax appeals granted	258	183	
Amount budgeted for tax appeals	\$ 2.059.972	\$ 2.059.972	-0-
Refunding bonds for tax appeals	\$ 6.225.000	\$ -0-	17.700.000
<b>4. Full time Staffing Levels</b>			
Uniformed Police - Staff Number	1.136	1.136	1.136
Total S&W Expenditures	\$ 131.767.188	\$130.566.237	\$138.093.300
Uniformed Fire - Staff Number	619	619	619
Total S&W Expenditures	\$ 71.048.200	\$70.843.500	\$70.843.500
All Other Employees - Staff Number	1.420	1.420	1.420
Total S&W Expenditures	\$ 60.672.006	\$61.740.063	\$71.393.873
<b>5. Impact of Proposed Tax Levy</b>			
			<b>Amount</b>
Current Year Taxable Value			12,151,100,300
Introduced Tax Levy			432,494,174.29
Proposed Municipal Tax Rate	\$3.560	Average Res. Value ( #4 above)	175.203
Current Year Taxes on Average Residential Value (#4 above)			6,237.75
Prior Year Taxes on Average Residential Value			6,011.12
Proposed Increase in average residential taxes			226.63

**VII. Application Year Budget Information**

A. Year of latest revaluation/reassessment

December 31, 2013
88.86% (2017)

A1. Most current equalized ratio

B. Proposed Budget – Appropriation Cap Information

- |   | Yes | No |
|---|-----|----|
| <b>Item</b>   |     |    |
| 1. Was an appropriation cap index rate ordinance adopted last year?<br>If YES: % that was used              | X   |    |
| 3.5%  |     |    |
| 2. Amount of appropriation cap bank available going into this year  |     |    |
| \$30,237,280.43   |     |    |
| 3. Is the Application Year budget at (appropriation) cap?<br>If NO, amount of remaining balance             |     | X  |
| \$22,299,530.44   |     |    |
| 4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap?<br>If YES, amount: |     | X  |
| \$-0-   |     |    |

	Yes	No
<b>Item</b>		
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	X	
3.5%		
2. Amount of appropriation cap bank available going into this year		
\$30,237,280.43		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance		X
\$22,299,530.44		
4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap? If YES, amount:		X
\$-0-		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Prescription Insurance	24,293,382	32,200,000	7,906,618
Municipal Debt Service	45,248,537	51,367,300	6,118,763
Public Safety (Police & Fire)	213,835,239	216,968,132	3,132,893
Department of Public Works Based on Reorganization	7,746,127	51,946,633	44,200,506
Retroactive Pay-Police	0	7,750,000	7,750,000
Federal Monitor	200,000	2,000,000	1,800,000

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

Department/Agency	Position	Number	Dollar Amount
N/A			

<b>Application Year: CY 2017</b>	<b>Municipality: Newark</b>	<b>County: Essex</b>
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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</b>	221,605,623	138,303,885	8,203,013	280,330,673	188,660,153
<b>Second year</b>	226,037,735	140,303,885	6,903,000	283,133,980	187,600,000
<b>Third year</b>	230,558,490	147,303,885	0	288,796,660	187,600,000

### VIII. Financial Practices

A. Expenditure controls and practices:

<b>Question</b>	<b>Yes</b>	<b>No</b>
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? If so, please identify system being used.	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?		X
If not, be prepared to discuss why not in your application meeting.		

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

<b>Coverage</b>	<b>JIF/HIF</b>	<b>Self</b>	<b>Commercial</b>
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 8/1/17		

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

<b>Question</b>	<b>Police</b>	<b>Fire</b>	<b>Other Contract</b>	<b>Non-Contract</b>
Year of last salary increase	2016	2015	2014	2006
Average total cost percentage increase	2%	2%	2%	2%
Last contract settlement date	11/14/16	12/18/13	8/1/12	
Contract expiration date	12/31/17	12/31/16	12/31/14	

Application Year: CY 2017	Municipality: Newark	County: Essex
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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)	N/A	N/A	N/A	N/A
Wage Freezes (describe below)	N/A	N/A	N/A	N/A
Wage Freezes have been implemented in recent prior years.				
Layoffs (describe below)	N/A	N/A	N/A	N/A
Layoffs have been implemented in recent prior years.				

D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2016 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: <span style="float: right;">Date:</span>	2017	
3. On what dates were tax delinquency notices sent out in 2016: <span style="float: right;">Date:</span>	2/29, 6/10, 9/6, 11/16, 2/8, 12/15, 12/10/26/16 & 12/29/16	
4. Date of last tax sale: <span style="float: right;">Date:</span>	10/26/16 & 12/29/16	

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:

2015	\$ 237,969	2016	\$ 315,925	Anticipated Application Year:	\$ 315,925
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2. List the instruments in which idle funds are invested:

Bank Money Market Accounts	
Santander Bank	\$ 29,063,055
New York Community Bank	\$ 74,468,781
Popular Community Bank	\$ 10,900,748

3. What was the average return on investments during 2016?

.50%

4. Left Blank Intentionally

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

Samuel Klein and Company

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

More than 10 years

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.

<u>Union</u>	<u>Contract</u>	<u>Expiration Date</u>	<u>Status of Negotiations of Expired Agreement</u>
Police FOP	Police Officers Sergeants, Lieutenants,	12/31/2017	In contract
Superior Officers Assn.	Captains	12/31/2015	Negotiations ongoing
NPD Deputy Chiefs Assn.	Police Deputy Chiefs	12/31/2012	Negotiations ongoing
Newark Firefighters Union	Firefighters	12/31/2017	In contract
Newark Fire Officers Union	Captains, Battalion Chiefs, Deputy Chiefs	12/31/2017	In contract Impasse declared by PERC;
JNESO, District Council	Public Health Nurses	12/31/2015	parties in Mediation
Local 617, Laundry Distribution And Food Services Joint Board, Workers United SEIU (Blue Collar)	Blue-Collar, Non-Supervisory	12/31/2018	In contract
Local 617, Laundry Distribution And Food Services Joint Board, Workers United SEIU (Police Communications Clerks & Officers)	Police Communications Clerks & Officers Municipal Attorneys & Public Defenders	12/31/2018	In contract
Teamster Local 97		12/31/2014	Negotiations ongoing Impasse declared by PERC;
AFSCME 2297	Mechanics	12/31/2014	parties in Mediation Impasse declared by PERC;
AFSCME 2297	Supervisors	12/31/2014	parties in Mediation
Local 617, Laundry Distribution And Food Services Joint Board, Workers United SEIU (School Traffic Guards)	School Traffic Guards	12/31/2018	In contract
Newark ID Officers Association	Police ID Officers	12/31/2009	Negotiations ongoing
BTBC, Local 68	Building Trades	12/31/2014	Negotiations ongoing Impasse declared by PERC;
Newark Council 21	White Collar Workers	12/31/2014	parties in Mediation
AFSCME 2299	Inspectors	12/31/2016	Negotiations ongoing

H. Tax Abatements. Please provide a detailed discussion of any short-term or long-term tax abatements that are currently in place or are currently being negotiated including the following information:

List of Tax Abatements

Project Name/Property	Type of Project	2016 PILOT Billing	2016 Assessed Value	2016 Taxes If Billed in Full at 2015 Total Tax Rate	Term of Tax Abatement





**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.**

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"/>	Yes		
Sewer Fees	<input checked="" type="checkbox"/>	Yes		
Water Fees	<input checked="" type="checkbox"/>	Yes		
Swimming Pool	<input checked="" type="checkbox"/>	Yes		
Uniform Construction Code	<input checked="" type="checkbox"/>	Yes		
Uniform Fire Code	<input checked="" type="checkbox"/>	Yes		
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input checked="" type="checkbox"/>	Parking Taxes		Newark has a Parking Authority
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			
Land Use Escrow fees for in-house staff	<input type="checkbox"/>			
Land Use Escrow fees for independent contractors	<input type="checkbox"/>			



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

Describe in complete detail the actual 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	2014 Full Time Staffing	2015 Full Time Staffing	\$ Amount to be Saved
	Crime would increase and development would stagnate.					

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 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 2016 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: \_\_\_\_\_  
 Chief Financial Officer: Danielle A. Ameth Date: 7/25/17  
 Chief Administrative Officer: Jim Kelly Date: 7-24-17

**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: Kevin D. ... Date: 7-24-17  
 Chief Administrative Officer: Jim Kelly Date: 7-24-17

**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: 07/24/17

Chief Financial Officer: Dannelle A. Smith Date: 7/25/17

Chief Administrative Officer: J. Kelly Date: 7-24-17

