

Transitional Aid Application for Fiscal Year 2019
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by October 19, 2018 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2018-21 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7 of the Local Finance Notice.

Name of Municipality: Paterson		County: Passaic
Contact Person: Vaughn McKoy		Title: Business Administrator
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I. Aid History

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

FY 2018	FY 2017	FY2016
\$27,000,000	\$25,250,000	\$25,000,000

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

Amount of aid requested for the Application Year:	\$40,000,000
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2018-21.



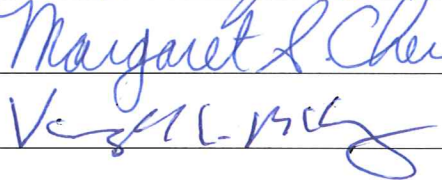
III. Submission Requirements

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
2018 Annual Financial Statement	August 10, 2018
2017 Annual Audit	June 21, 2018
2017 Corrective Action Plan	August 30, 2018
Application Year Introduced Budget	To be introduced 11/8/18
Budget Documentation Submitted to Governing Body	To be submitted 11/8/18



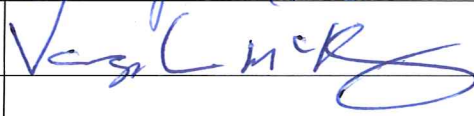
IV.A Application Certification

The undersigned herewith certify that they have reviewed this application and, individually, believes the contents to be true and accurately portray 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		10/19/18
Governing Body Presiding Officer		
Chief Financial Officer	Margaret L Cherone	10/19/18
Chief Administrative Officer		10/19/18

IV.B FY2018 Transitional Aid Recipients Applying in 2019

FY2018 Municipalities operating under a Memorandum of Understanding ("MOU") must certify that they are in substantial compliance with all conditions and requirements of the MOU.

Official	Signature	Date
Mayor/Chief Executive Officer		10/19/18
Governing Body Presiding Officer		
Chief Financial Officer	Margaret L Cherone	10/19/18
Chief Administrative Officer		10/19/18

V-A. Explanation of Need for Transitional Aid

Explain the circumstances that warrant 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 jeopardize the fiscal integrity of the municipality.

While the City of Paterson has a storied history as the first industrial city in the United States, it has fallen victim over the last 60 years to the same decline in manufacturing and industry that has devastated countless cities across the country. In particular, the loss of its once significant corporate base has led to both a sharp decline in job opportunities for residents and rateables for city government. Simultaneously, the closed factories and shuttered businesses have contributed to an increased need for the very city services that are perennially cut in tough financial times -- social services and housing programs to support the unemployed, underemployed and their families; inexpensive yet high-quality health care; police officers and recreation programs to combat crime; emergency services and anti-overdose medicine for those struggling with addiction, to name a few. These social programs support, complement, or mitigate the required services for any municipality - public works, engineering/roads/sewer, police and fire, library, municipal court, licensing and inspections, etc. The city further struggles with the abundance of tax exempt property owned by local school districts as well as county, state, and federal governments, accounting for approximately 31% of city property. Through this combination of factors, expenses annually and significantly outpace revenue, even when the city operates, as is does now, in a bare bones capacity.

Unfortunately, there is internal and external scepticism and cynicism regarding Paterson. Several mayors, council members, police officers, and other municipal officials have been charged and pleaded guilty to criminal charges that touched upon their offices. As such, the historical and significant gap between revenue and expenses is further compounded by the crisis in confidence created by those behaviors. Paterson's current Mayor Andre Sayegh and his Administration, as well as City Council President Maritza Davila and her Members, understand the need to restore confidence and reinvent city government to make it more effective, efficient, transparent, and beholden to its residents. This restoration and reinvention will obviously take time to execute given the magnitude of the immediate challenges. Consequently, the City of Paterson still requires substantial Transitional Aid from the State of New Jersey to first stabilize the city and its operations and services while the Administration and Council work together to grow revenues and limit expenses through smart development, fee increases, shared services and tougher union contracts, among other things. By also taking an entrepreneurial approach towards a more data-rich decision making system, we feel the city can finally lay the foundation for no longer requiring transitional aid. Regrettably, we have inherited a fiscal challenge that can only be addressed with the state's assistance.

LIMITED REVENUE

In FY19, the new administration, in its first 120 days, has prioritized maximizing available current revenue while planting the seeds for future revenue through economic development. Maximizing current revenue means instituting policies and procedures to collect escrow fees for development; establishing a sewer connection fee for new development and working to establish a new sewer rate based on flow volume; increasing fees across departments for licenses, inspections, permits, to name a few; and prioritizing grants – both by applying for new outside funding and creating stricter procedures for drawing down on awards in a timely manner.

As for planting seeds for the future, the Sayegh Administration has held countless meetings with investors in just these first four months, emphasizing that Paterson is open for business. These meetings have included (1) developers looking to create mixed use residential/commercial units, (2) commercial investors focused on bringing national brands to Paterson, (3) investors interested in opportunity zones, (4) current landowners holding onto property while searching for willing partners in city government, and (5) cannabis companies hoping to win new state licenses to bring manufacturing, processing, and dispensaries to Paterson. In a special way, the Administration is focused on fully capitalizing on \$130 million in NJ EDA Economic Redevelopment and Growth (ERG) tax credits to stimulate catalytic investment and rateables, targeting three strategic zones that are best poised for redevelopment and revitalization. As stated, it will take a few years for these relationships and opportunities to blossom into revenue, but developing them are high priorities for the Administration and Council.

In the short-term, overall challenges remain, both in increasing revenue and fully collecting delinquent taxes. For example, Paterson only collected \$2.74 M in delinquent taxes in FY18 but budgeted for \$7.30 M. The city continues its efforts to increase the frequency of mailing delinquent tax notices, institute online payments, and improve the recording process in its Edmunds financial system. The city also holds several tax lien sales and foreclosure auctions each year. In fact, the Sayegh Administration is researching best practices and innovative solutions to decrease foreclosed and abandoned properties now that the city has a comprehensive GIS database of these properties.

The most significant open case of unpaid taxes and potential liens for sale involves St. Joseph's Hospital and Healthcare System, the only hospital and largest employer in Paterson that claims tax exempt status for all its properties and business operations. Notwithstanding, it was returned to the city tax rolls in 2016 after the Morristown Medical Center lawsuit allowed municipalities to assess or tax hospital property related to the for-profit portions of hospital operations. St. Joseph's Hospital is currently disputing in tax court approximately \$12M in property tax assessments. The matter is in the discovery phase and is expected to take several years to resolve unless a settlement is reached. The city will know more in early 2019 but unless a settlement is reached, the city plans to sell the tax liens at a discounted rate in the first half of 2019. This way, the city will realize some revenue for this tax year while limiting its potential liability in the future; i.e., the discounted rate will protect the city from having to fully repay lienholders or St. Joseph's Hospital based upon the court decision.

OBLIGATORY EXPENSES

Regarding expenses, the City Council actively works to provide financial oversight over the municipal budget, demanding that the previous administration trim the budget of any possible excess. Over the last two years alone, 100% of non-statutory or essential vacancies were intentionally left unfilled and close to 20% was cut from "other expenses" across the board. Over the last two fiscal years, over \$20M was cut from the budget and \$8M in surplus was used to fill the gaps. There's no more surplus.

In FY19, the Sayegh Administration has continued along this path, further limiting non-contractual salary increases and expenses, instituting a non-essential hiring freeze, and laying the groundwork for a formal reduction-in-force (RIF) if necessary. But this culling via RIF would have a tremendous impact on good governance *while only realizing about \$2 million in savings*. In every department, employees currently struggle with work that used to be shared among numerous colleagues, affecting productivity and morale. Talent recruitment and top-level retention is nearly impossible, precisely when the city needs the best and brightest to create a sustainable pathway to economic growth and job creation. Additionally, little wiggle room in expense budgets leaves no opportunity to invest in technology or training to improve efficiency and professional development of employees.

TOUGH DECISIONS

In recent years, city administrations have avoided making tough decisions to better balance the budget. Two years ago, the mayor and council lowered the tax levy and used a large portion of the revenue surplus that year to close the budgetary gap. Last year, the administration and council used the remainder of the revenue surplus of \$8.5 million from FY17 to fill the budgetary gap for FY18. These decisions mean that there is nothing available to help fill any budget gaps this year, and that the city tax levy has only recently returned it to FY16 levels.

Additionally, with essentially nothing to cut in the budget without reducing much-needed services to the most vulnerable populations, Mayor Sayegh and the City Council are faced with the prospect of raising taxes beyond the MOU mandated 2% on its overburdened taxpayers. This is a tremendous challenge due to the financial demographics of Paterson residents. The U.S. Census Bureau estimates the median household income in Paterson is just over \$34,000, with almost a third of the population living in poverty. The average tax bill last year was \$7,697 on the average residential property value of \$186,929. The mandated 2% increase would amount to \$390 on average, raising the annual bill to \$8,087. This increase is already unduly burdensome, driving seniors and young families away from homeownership, and businesses away from Paterson. Some level of shared pain is necessary - and Mayor Sayegh is prepared to make that case to the residents of Paterson - but further increases would be crushing for many.

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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 in 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	2018 Value	2019 Value	Amount of Loss/Increase
Description: Surplus	\$ 8,640,100	\$ 0	(\$8,640,100)
FY18 Operating Deficit, No surplus available in FY19			
Description: Ambulance Fee Revenues	\$3,505,146	\$3,384,030	(\$ 121,117)
Not available in FY19			
Description: Interest & Costs on Taxes	\$3,138,379	\$1,848,972	(\$1,289,407)
Not available in FY19			
Description: Delinquent Taxes	\$7,297,562	\$2,740,818	(\$4,556,744)
Not available in FY19			
Description: SAFER Grant (Fire SW & Fringe)	\$ 2,860,515	\$ 0	(\$2,860,515)
Not available in FY19			
Description: WC and Liability Insurances	\$10,551,759	\$12,132,541	\$1,580,782
Actual Claims for FY19			
Description: PERS & PFRS	\$22,824,109	\$26,200,000	\$3,375,891
Actual Costs for FY19			
Description: Police SW	\$46,405,938	\$47,616,755	\$1,210,817
Actual FY19 costs, include payouts			

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V-C. Actions to Reduce Future Need for Aid

Detail the steps the municipality is taking to reduce the need for future aid. Include details about shared services and consolidation, 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.

These steps should demonstrate initiatives taken to bring structural balance to the Municipality’s finances and shall include, but are not limited to the following:

Use additional pages if necessary

- Efforts to bring economic development to the Municipality; and
- A plan to constrain or reduce staffing costs through collective negotiation, attrition, consolidation, restructuring, or other personnel actions; and
- A plan to eliminate, reduce or constrain the costs of non-essential services and activities; and
- A plan to maximize recurring revenues, including, as appropriate: updating fees, fines and penalties; maximizing enforcement of delinquencies; and selling surplus land and property; and
- A plan to address findings contained in various audits, investigations, and reports with respect to the Municipality, including municipal audits, applicable State Comptroller and State Auditor reports and audits, federal program audits, and other audits as identified by the Director

ACTIONS TO REDUCE FUTURE NEED FOR AID

SHARED SERVICES AND CONSOLIDATION

1. Public Safety Consolidation

The City of Paterson is consolidating the police and fire departments into divisions under a Department of Public Safety, eliminating four supervisory positions in total. The Sayegh Administration will introduce an ordinance at the November 8 City Council Workshop, hoping to finalize the consolidation after the second ordinance reading on December 11. **The total salary and wage reduction would be \$537,801, half of which, or \$268,900, would be realized in FY19 due to the mid-year implementation.**

2. Shared Services Agreements

The Sayegh Administration is examining numerous shared services agreements with partner entities to increase services while minimizing expenses. These agreements are unlikely to have immediate large-scale budgetary implications, but do prevent expenses increases and add incremental recurring revenues for the city.

- Paterson Public Schools –updated agreement will cover shared use of fields, school buildings, landscaping and snow plowing equipment, and the cost-sharing of salary and wages for the Recreation Division Director.
- County of Passaic – agreement will include participation in energy co-operative and fiber optic network; sharing of resources for licensing and permitting; and sharing of expenses for certain flood mitigation and park planning projects.
- Housing Authority – updated agreement will detail increases in fees for numerous city services, including solid waste and recycling collection at housing complexes.
- Parking Authority – updated agreement will prioritize payment to city for annual services while sharing services of grant writer with the City of Paterson.

- Neighboring municipalities – Paterson Fire Department currently provides ambulance service to the residents of Haledon, North Haledon, Little Falls, and Prospect Park at no cost to the towns, recouping money only by billing patients; city looks to negotiate expiring and future agreements to include fee paid by municipality to support capital expenses.

LONG-TERM COST CUTTING

1. Switch to State Health Benefit Plan (SHBP) from City of Paterson Self-Insurance

Immediately upon taking office in July 2018, the Sayegh Administration began the process of moving health care benefits from the City of Paterson's self-insured plan to the state's program. In September, the City Council passed the necessary resolutions to move this process forward. Projections show this could save the City of Paterson over \$20 million annually at the current rate of health care cost growth. **With a January 1, 2019 start date, the City of Paterson will incur up to \$2.3 million in increased costs versus FY18 budgeted numbers, but close to a net \$5.5 million in savings due to converting from a self-insured plan to the State Health Benefits Plan.**

An ancillary financial benefit of this switch is that the City of Paterson is concurrently performing an audit of Chapter 78 contributions to ensure full collection, as well as an audit of health benefits to eliminate ineligible employees, spouses, and dependents in the new plan.

2. Hiring freeze

The Sayegh Administration, in partnership with DCA, will continue its non-emergency hiring freeze, stabilizing salary and wage obligations.

3. Labor contract negotiations

All 17 labor contracts expire in summer 2019, and the Administration plans to begin negotiations early in 2019 to aggressively negotiate new contracts with city employee bargaining units that limit impacts to taxpayers.

4. Privatizing services

The Sayegh Administration has begun exploring privatizing certain city services to realize budgetary savings, including landscaping and snow plow services.

ENHANCED REVENUE PLANS

1. Sale of city-owned property

In one of its first actions, the Administration with Council support sold the former Paterson Armory to a developer who plans to build a large residential/retail development in the city's fifth ward to help transform the neighborhood. **The Armory sale realized \$3 million for the FY19 budget.**

The city is preparing one additional city-owned property for sale. The former Leader Dye factory sits on contaminated land and the city is utilizing New Jersey Department of Environmental Protection funds to engage a Licensed Site Remediation Professional (LSRP) to measure and lead the remediation of any contamination. This process of fully paid using state funding in order to prepare the property for auction or private sale that is likely to extend into the next fiscal year. **Thus, the sale is expected to positively impact the FY20 budget by realizing at least \$2 million.**

2. Updated/new fees

All city departments have been asked to examine and increase existing fees for licenses, inspections, permits,

and other services. Some departments have also added new fees, including re-inspection fees and developer escrow fees.

Secondly, the city has implemented sewer connection fees for new development and will soon begin collecting these fees as well as sewer fees based on flow volume to sufficiently bill the rate payers for the costs of the entire sewer operations of the city. In addition to the city's tax-paying entities, these increased revenues will come from the growing tax exempt entities in the city and the six tributary towns tied into our sewer system. Ultimately, the city needs to recapture its fair share from the latter groups so that not only the tax paying entities bear the costs through taxation.

Additionally, the Sayegh Administration plans to maximize its positive relationship with the nonprofit community to request a voluntary contribution for city services from all tax exempt entities, which account for an estimated 31% of city property. Totals from this fiscal year will allow the city to anticipate revenue in FY20.

Finally, the city is exploring increases in solid waste host community and transfer station fees, ensuring equity for city tax payers relative to suburban communities.

IMPACT OF NEW DEVELOPMENT

It is difficult to estimate potential revenue from increased economic development, but Paterson is actively engaged in this arena.

- The Sayegh Administration, working alongside the Paterson Parking Authority, is leading the city's efforts to fully utilize \$130 million in NJ EDA ERG tax credits, engaging highly successful developers with track records to be part of the process to transform three zones in Paterson – downtown, the Great Falls area, and the South Paterson hospital zone.
- The Sayegh Administration has held meetings with numerous cannabis companies who applied for one of the new state licenses. These entities recognize the potential in Paterson for medical dispensaries, but also retail outlets once cannabis is fully legalized. Paterson is poised to gain jobs and tax revenue from this lucrative sector.
- The Sayegh Administration has hosted numerous groups interested in investing in Paterson. Some are interested in abandoned properties for housing, while others are looking for locations for recognizable commercial brands like Wawa or Wingstop. Still others are waiting on details of the opportunity zone program, which is meant to spur investment in low-income census tracts, eight of which are located in Paterson. Utilization of these opportunity zones and the Governor's new slate of economic development incentives are high priorities.

The excitement and energy generated by all of these meetings is palpable as many see Paterson as the next frontier in investment. Our property is still affordable in comparison to other cities in the region, and the Sayegh Administration has prioritized simplifying the experience for investors.

POTENTIAL FOR GRANTS TO OFFSET COSTS

Grant writing, up until now, has been the purview of each department and has been pursued to varying degrees of success. The Sayegh Administration has now engaged a grant writer to research and apply for grants holistically, supporting departmental efforts but also pursuing new opportunities that require professional preparation. This also ensures a more comprehensive approach to structural change, which is critical to addressing the long-term fiscal health of the city.

ESTIMATED SHORT AND LONG-TERM ANNUAL SAVINGS

The overall structural savings in FY 2019, with the combined revenue increases and cost savings described above, will yield an approximate \$19 million to \$22 million.

V-D. Discussion of Health Benefits

Skip this section if using SHBP. If not using SHBP, explain why the municipality's current health benefits plan is cheaper, or what other reasons exist to reject this alternative. 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 in the process of transitioning to the State Health Benefits Plan with an effective date of January 1, 2019. We will have 6 months of the current fiscal year with our current self-insured plans, and 6 months in the SHBP.

Cost Analysis – The City of Paterson has completed an in-depth cost comparison of the city's plan versus the NJSHBP as well as a review of the level of service compared to the current level of benefits in the city's self-insured plan. After reviewing a 5-year period from FY14 through FY18, we have concluded that it would be cost effective to switch to the NJSHBP.

The medical and prescription drug plan design covers three categories of employees:

- A) Active employees (1,356 contracts)
- B) Early retirees (444 contracts)
- C) Medicare Eligible Retirees (552 retirees, 793 Medicare Advantage contracts)

Budgetary Funding and Cash-flow Considerations – There is a cash flow cost associated with terminating the COP's self-insured plan. The run-out liability is estimated to be about \$6 million based on 2 months of claims. This will be partially offset by a 2-month premium deferral.

Moving to the SHBP will allow the city to set a stable and predictable benefit budget. It will remove the city from fiduciary responsibility of plan management.

SHBP Advantages to Employees – The SHBP decreases the amount to be paid by the employee for the Chapter 78 employee contribution. The SHBP provides more choices and more affordable options. The SHBP provides comparable or improved benefits to the city's current plan.

The City of Paterson currently utilizes Brown & Brown and IMAC as our Health Insurance Consultant instead of a broker. The City of Paterson entered into a contract for an annual flat fee in the amount of \$160,000 per year. The flat fee is paid by the City of Paterson to the consultants on a monthly basis.

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VI. Historical Fiscal Statistics

Item	2017	2018	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$2.782	\$2.6245	\$2.742
Municipal Purposes tax levy	\$149,280,705	\$153,123,302	\$156,185,768
Municipal Open Space tax levy	\$0	\$0	\$0
Total general appropriations	\$274,931,166	\$283,364,468	\$288,631,529
2. Cash Status Information			
% Of current taxes collected	95.69%	96.7843%	%
% Used in computation of reserve	95.72%	95.69%	96.76%
Reserve for uncollected taxes	\$10,382,273	\$10,400,924	\$8,118,885
Total year end cash surplus	\$7,404,135	\$(2,885,098)	
Total non-cash surplus	\$1,533,126	\$2,053,636	
Year end deferred charges	\$n/a	\$1,320,156 *	
* FY18 deferred charge covered by FY18 reserve transfers.			
3. Assessment Data			
Assessed value (as of 1/10)	\$5,756,156,146	\$5,686,403,428	\$5,813,344,628
Average Residential Assessment	\$185,023	\$185,023	\$186,959
Number of tax appeals granted	1,824	1,236	
Amount budgeted for tax appeals	\$0	\$0	\$0
Refunding bonds for tax appeals	\$1,085,000	\$0	\$0
4. Full time Staffing Levels			
Uniformed Police - Staff Number	419	418	418
Total S&W Expenditures	\$43,845,613	\$42,696,996	\$44,720,250 **
Uniformed Fire - Staff Number	372	375	376
Total S&W Expenditures	\$38,961,469	\$37,255,213	\$39,655,988 **
All Other Employees – Staff Number	807	845	877
Total S&W Expenditures	\$28,639,556	\$24,911,998	\$25,853,194
** Both Police & Fire FY19 SW have been reduced by respective amounts of retirement payouts.			

5. Impact of Proposed Tax Levy

	Amount
Current Year Taxable Value	5,775,612,428
Introduced Tax Levy	156,185,768
Proposed Municipal Tax Rate \$4.326	Average Res. Value (#4 above)
	186,929
Current Year Taxes on Average Residential Value (#4 above)	\$8,087
Prior Year Taxes on Average Residential Value	\$7,697
Proposed Increase in average residential taxes	\$390

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment

2014

A1. Most current equalized ratio

78.12

B. Proposed Budget – Appropriation Cap Information

	Yes	No
Item		
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	X	
1.5%		
2. Amount of appropriation cap bank available going into this year		
\$6,364,523		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance		X
\$2,781,357		
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
Health Insurance	46,455,597	48,778,377	2,322,780
PFRS Pension	19,421,059	22,400,000	2,978,941
Fire Salaries	38,611,088	39,655,988	1,044,900
Workers Compensation	6,100,000	7,076,224	976,224
General Liability	4,451,759	5,056,317	604,558
PERS Pension	3,403,050	3,800,000	396,950

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

Department/Agency	Position	Number	Dollar Amount
(NEW DEPT) Community Development	Director of Department	1	\$112,000

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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:

	Tax Levy	Local Revenues	Transitional Aid	Total S&W	Total OE
First year	153,123,302	103,241,166	27,000,000	112,626,934	170,737,534
Second year	149,280,705	104,332,345	25,250,000	111,442,129	167,420,921
Third year	154,637,232	96,375,378	24,505,000	101,835,726	173,682,234

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? 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? If not, be prepared to discuss why not in your application meeting.	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	X Medicare Advantage
	1/2 YEAR	1/2 YR	

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	FY19	FY19	FY19	FY19*
Average total cost percentage increase	2%	2%	2%	2%
Last contract settlement date	4/21/17	8/4/16	10/8/16	
Contract expiration date	7/31/19	7/31/19	6/30/19	

* excludes Municipal Department Heads, last year of increase 2011

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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)				
Please see page 21 for further details.				
Wage Freezes (describe below)				
Contracts settled in 2016 and 2017 negotiated givebacks in form of wage freezes (1 st two years) and eliminated certain retroactive payments. In FY18, the final ½ of the retroactive payments were made.				
Layoffs (describe below)				
The city is merging telecommunications/dispatch operations into one division within the new Public Safety Department. Any employee that doesn't match the criteria required under CJIS guidelines will be laid off. This merger will result in a reduction of 7 public safety telecommunicators for a savings of \$189,000.				
The city may consider issuing a general layoff notice.				

D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2018 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:	5/17/18	
3. On what dates were tax delinquency notices sent out in 2018: Date:	3/26/18 6/8/18 6/15/18	
4. Date of last tax sale: Date:	6/27/18	

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:

2017	\$40,124.32	2018	\$132,389.08	Anticipated Application Year:	\$132,389.08
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2. List the instruments in which idle funds are invested:

Cash Management Fund	
Money Markey Accounts	

Application Year: FY2019	Municipality: Paterson	County: Passaic
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3. What was the average return on investments during 2018?	.7835%
4. Left Blank Intentionally	
5. The name and firm of the municipality's auditor?	Donohue, Gironde & Doria CPA's
6. When was the last time the municipality changed auditors?	2002/RFPs done annually

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
Dispatcher/Telecommunications	June 30, 2014	Negotiated, waiting on signed contract; new contract would expire June 30, 2019
Crossing Guards	June 30, 2019	Completed
DPW Blue	June 30, 2019	Completed
DPW Supervisors	June 30, 2019	Completed
Firefighters	June 30, 2019	Completed
Fire Battalion Chiefs	July 31, 2019	Completed
Fire Captains	July 31, 2019	Completed
Fire Deputy Chiefs	July 31, 2019	Completed
Health	June 30, 2019	Completed
Law	June 30, 2019	Completed
Library	June 30, 2019	Completed
Library Supervisors	June 30, 2019	Completed
Police Motor Pool	June 30, 2019	Completed
Police PBA	July 31, 2019	Completed
Police SOA	July 31, 2019	Completed
White Collar	June 30, 2019	Completed
White Collar Supervisor	June 30, 2019	Completed

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:

Project Name/Property	Type of Project	2018 PILOT Billing	2018 Assessed Value	2018 Taxes If Billed in Full at 2017 Total Tax Rate	Term of Tax Abatement
Aspen Hamilton		\$89,427	\$3,447,600	\$149,143	40 years

Application Year: FY2019	Municipality: Paterson	County: Passaic
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Project Name/Property	Type of Project	2018 PILOT Billing	2018 Assessed Value	2018 Taxes If Billed in Full at 2017 Total Tax Rate	Term of Tax Abatement
Belmont 2007		\$18,644	\$4,954,300	\$214,323	30 years
Brookesloate		\$170,819	\$11,760,000	\$508,737	15 years
Colt Arms		\$342,814	\$13,570,000	\$587,038	50 years
Congdon Mills		\$85,974	\$3,736,200	\$161,628	25 years
Cooke Bldg Assoc		\$12,640	\$3,623,300	\$156,743	30 years
Federation Apts		\$206,639	\$12,803,000	\$558,183	50 years
Gov Pat Towers I, II, and III		\$677,038	\$19,415,500	\$839,914	50 years
Riese Madison		\$75,591	\$5,027,900	\$217,506	50 years
INCCA Carroll St*		\$114,341.50	\$9,800,000	\$423,948	50 years
INCCA Triangle Village		\$155,267	\$13,857,000	\$599,453	50 years
Jackson Slater		\$211,356	\$4,160,000	\$179,961	50 years
Paterson Housing Authority		\$133,535	\$181,022,080	\$7,831,015	Various abatements
446-460 E 19 th St		\$25,095	\$2,985,900	\$129,170	30 years
Sheltering Arms		Pending PILOT	\$5,136,500	\$222,204	30 years
Belmont/McBride Towers		\$33,309	\$4,555,300	\$197,062	30 years
N. Main Scattered		\$40,015	\$8,973,200	\$388,180	30 years
Hope 98 Beech St		\$32,813	\$2,304,800	\$99,705	30 years
Hope Van Houten		\$21,620	\$4,030,200	\$174,346	30 years
Rising Dove		\$30,536.75	\$5,076,100	\$219,592	40 years
Great Falls		\$236,025	\$7,928,200	\$342,973	20 years
Christopher Hope 99		\$108,663.56	\$1,721,000	\$74,450	30 years
Heritage Alexander Hamilton		\$132,623.60	\$25,335,900	\$1,096,031	90 years
504 Madison Ave		\$155,973	\$6,885,400	\$297,862	50 years

*came off PILOT after Q2 2018

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
All Departments & Statutory Agencies			All departments started the budget process with a zero increase to Operating Expenses for FY19. Where applicable, further CUTS after the budget hearings were made to eliminate unnecessary spending. ACTUAL NET CUT - \$368,707 from the requested amounts, after reallocating some cuts to areas needing increases amounting to \$130,17.
Health Benefits			The City is converting to the SHBP for the provision of health insurance benefits to its employees and retirees. In doing so, this year' appropriation increased by \$2.3 million, rather than \$7.8 million, thereby allowing for a \$5.5 million real budgetary savings.
Elections			Since the City will have less elections this year, a reduction of \$23,000 was made from FY18.
Redevelopment			A reduction of \$10,000 was made in the Consultants line item from FY18.
Municipal Debt Service			Our short term interest costs were deferred to FY20 by issuing BANs in July 2018, rather than June 2018. This saved approximately \$465,000 in FY19.

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 though 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	X	NO	The net program services are covered by municipal budget	The city's socioeconomic profile is below poverty.
Sewer Fees	X	PARTIALLY COVERED	Approximately \$5-7 million each year is funded through taxation	The city is presently reviewing a formal rate study which will culminate in a rate change program to achieve self-sufficient revenues, and possible establish a sewer utility fund.
Water Fees	<input type="checkbox"/>			
Swimming Pool	X	NO	The net program services are covered by municipal budget	The city's socioeconomic profile is below poverty.
Uniform Construction Code	X	YES		Statutory
Uniform Fire Code	X	YES		Statutory
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input type="checkbox"/>			
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			
Land Use Escrow fees for in-house staff	X	In the process of assessing and collecting, beginning FY19		

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.
Land Use Escrow fees for independent contractors	X	In the process of assessing and collecting, beginning FY19		

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)
Lease/purchase & delivery of one new Igniter Walk-In HD Rescue Apparatus - Fire Department	Houston-Galveston Area Council Contract No. FS12-17	\$633,112.78	2017
Lease/purchase & delivery of five new Pierce Arrow XT Engine Pumpers – Fire Department	Houston-Galveston Area Council Contract No. FS12-13	\$2,882,555.90	2017
Lease/purchase & delivery of one new Pierce Arrow XT 100 Tractor Drawn Aerial Device Apparatus – Fire Department	Houston-Galveston Area Council Contract No. FS12-13	\$1,052,109.60	2017
Lease/purchase & delivery of two new Demers Type-1 F-450 MXP 150 4x4 ambulances – Fire Department	Houston-Galveston Area Council Contract	\$415,874.40	2017
Lease/purchase & delivery of four Tymco Model 600 Regenerative Air Sweepers – Department of Public Works	Houston-Galveston Area Council Contract No. SW04-16	\$1,011,380.00	2017
Purchase Of Rock Salt	Detroit Salt Company Through A Passaic County Cooperative Pricing System #38- PCCP	\$305,880.00	2017
Purchase of one 2018 Police Interceptor SUV – Animal Division, Police Department	Cranford Cooperative Contract	\$26,967.00	2017
Purchase of seven 2018 Police Interceptor SUV – Police Department	Cranford Cooperative Contract	\$218,666.25	2017

Section XI – Impact of Limited or No Aid Award

Describe in detail the impact if aid is not granted for the current fiscal year. Essential services needs should be given priority. 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 will make absent a grant of aid.**

Rank Order	Department	# of Layoffs	Effective Date	2017 Full Time Staffing	2018 Full Time Staffing	\$ Amount to be Saved
1	City-Wide Furlough (except for Public Safety uniformed/non-uniformed personnel)	877 (non-pubic safety empl only)	1/1/19-6/30/19			\$1,140 per employee per \$1 million of cuts to be made (avg salary pp \$40,585 means 3% reduction for 6 months, per \$1 million)
2	General Layoff	28 (\$30,000) 18 (\$50,000) 7 (\$80,000) 3 (\$100,000)	2/1/19			Per 56 employees, as illustrated, for 5 months only, and after paying S/I SUI, will net \$2 million

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

Rank Order	Service	Cost Savings	Impact on Services
1	<u>General Layoff</u>	\$10,000,000	<p><u>803 employees exempt from Layoff:</u></p> <p>Due to Federal grant restrictions, we are not able to impact layoffs in the Police Department (COPS grant). This year, the City is able to file an application for a 3 year SAFER Fire grant, which requires that the City maintain its full TO of 385 FFs. Hence, the two departments with 71% of the City's payroll cannot be subjected to layoffs. These 803 employees represent 40% of the total city employees.</p> <p><u>1214 employees eligible for Layoff:</u></p> <p>Our median salary, eligible for layoff purposes, is approximately \$40,500 per employee. To achieve a \$10 savings would require the elimination of 247 employees for a year, or 593 employees (48% of total eligible employees) for 5 months.</p> <p>These layoffs would create havoc and compromise the City's public health, safety and welfare.</p>

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 2018 MOU and is operating in good faith to correct those area of noncompliance that have been identified.

Mayor: _____

Date: 10/19/18Chief Financial Officer: Margaret L. ChevreDate: 10/19/18Chief Administrative Officer: Vergil M. C. G.Date: 10/19/18**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."

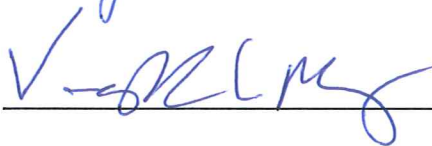
Human Resources or Personnel Director: Michelle Ralph HubDate: 10/19/2018Chief Administrative Officer: Vergil M. C. G.Date: 10/19/18

XV. CERTIFICATION OF APPLICATION FOR TRANSITIONAL AID

The undersigned acknowledges the municipality must comply with the foregoing requirements to receive Transitional Aid. In addition, included with this application is a copy (printed or electronic) of the budget documentation supporting the budget calculation that was provided to the governing body.

Mayor:  Date: 10/19/18

Chief Financial Officer: Margaret L. Cherone Date: 10/19/18

Chief Administrative Officer:  Date: 10/19/18

Application Year: FY2019	Municipality: Paterson	County: Passaic
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APPENDIX

VII. Financial Practices – E. Specialized Service Delivery

The police and fire departments currently utilize sworn police officers and firefighters to handle emergency service call-taking and dispatch, either as part of “light duty” assignments or as coverage for paid time off of dispatch staff. However, this practice will be discontinued as part of the consolidated dispatch plan that will be implemented after completion of the consolidated communications center. Estimated date – January 1, 2019.