

Transitional Aid Application for Fiscal Year 2020
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by August 30, 2019 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2019-09 when preparing this application for specific instructions and definitions, and review the Submission Checklist on page 20 of this application and also listed on Page 7 of the Local Finance Notice.

Name of Municipality:		Paterson		County:	Passaic
Contact Person:		Vaughn McKoy		Title:	Business Administrator
Phone:	(973) 321-2370	Fax:		E-mail:	vmckoy@patersonnj.gov

I. Aid History

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

FY 2019	FY 2018	FY2017
\$33,000,000	\$27,000,000	\$25,250,000

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:	\$24,650,000
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2019-___.



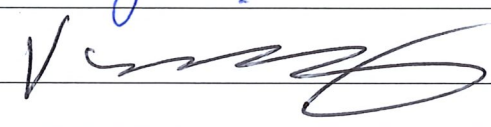
III. Submission Requirements

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
2019 Annual Financial Statement	8/9/2019
2018 Annual Audit	7/22/2019
2018 Corrective Action Plan	Estimated 9/11/2019
Application Year Introduced Budget	Estimated 9/24/2019
Budget Documentation Submitted to Governing Body	Estimated 9/17/2019

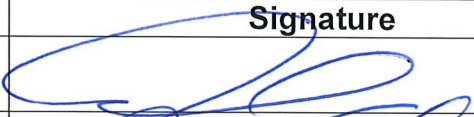
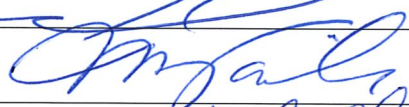
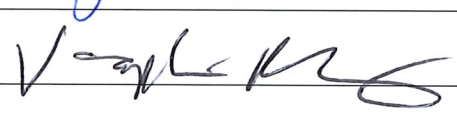
IV.A Application Certification

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		8/29/19
Governing Body Presiding Officer		8/29/19
Chief Financial Officer	Margaret L. Cheone	8/29/19
Chief Administrative Officer		8/29/19

IV.B FY2019 Transitional Aid Recipients Applying in 2020

FY2019 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		8/29/19
Governing Body Presiding Officer		8/29/19
Chief Financial Officer	Margaret L. Cheone	8/29/19
Chief Administrative Officer		8/29/19

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.

Fiscal year 2019 was a significant one for the City of Paterson. The Administration and City Council worked together to institute new policies that placed Paterson on stronger financial footing for the future. These changes included switching from a self-insured health plan to the State Health Benefits Plan (SHBP) for employees, as well as adjusting how the City bills for sewer use to ensure revenues cover expenses. These actions removed approximately \$3 million of expense from the operating budget. Had the city not accomplished this conversion, our operating budget would have, instead, increased by close to \$12 million.

While these policies are an important step, they address only a few of the numerous challenges facing Paterson, including our historical legacy, limited revenue, and obligatory expenses. Consequently, the City of Paterson still requires substantial Transitional Aid from the State of New Jersey to provide continued stability to the city's operations and services while the Administration and Council again work together to grow revenues, limit expenses, and make government more efficient.

HISTORICAL LEGACY

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 a sharp decline in rateables for city government. Simultaneously, the closed factories and shuttered businesses have led to loss of income for many families. The U.S. Census Bureau estimates the median household income in Paterson is just over \$36,000, with almost a third of the population living in poverty.

This has 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 schools as well as county, state, and federal governments, accounting for approximately 28% 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.

IMPROVED REVENUE, BUT LIMITED OVERALL

In FY19, the Administration and City Council created a sewer utility to properly collect the necessary revenue to cover sewer expenses, increasing revenue by over \$5 million for this purpose. In the utility, the City is also now collecting \$200,000 annually from sewer connection fees and looks to collect at least \$60,000 annually in the general operating budget from our newly instituted escrow fees for development. Each year, we review and appropriately increase fees across departments for licenses, inspections, and permits.

But these fee increases are not enough. We need more development to increase revenue through taxation, and due to numerous historical incentive programs, the City won't fully realize funds connected to most current development for years to come. Transitional aid supports the City while the Administration prioritizes restoring

and reinventing the City's corporate base.

Mayor Sayegh and his team have held countless meetings with investors throughout FY19 and into FY20, emphasizing that Paterson is open for business and presenting opportunities for partnership that provide both short-term and long-term financial stability to Paterson.

In the short-term, this includes bringing new businesses to Paterson, filling vacant buildings and providing both taxable revenue and jobs for Patersonians. In the long-term, it includes recruiting developers for mixed use residential/commercial units, investors focused on bringing national brands to Paterson, cannabis companies hoping to win state licenses (one was secured for Paterson last year), and opportunity zone investors. Paterson also submitted projects to the NJ Economic Development Authority to fully capitalize on \$130 million in Economic Redevelopment and Growth (ERG) tax credits to stimulate catalytic investment and rateables. 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 in increasing revenue. The city continues its efforts to increase the frequency of mailing delinquent tax notices, has instituted online payments, and improved the recording process by fully implementing its Edmunds financial system in FY19. The city also holds several tax lien sales and will institute a major In-Rem foreclosure proceeding this year, with a focus on an auction of these properties in FY21.

The most significant open case of unpaid taxes involves St. Joseph's Health, the largest employer in Paterson which runs St. Joseph's University Medical Center and 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 Health is currently disputing in tax court approximately \$12M in property tax assessments (amount as of FY19, which grows by almost \$4M each year the case remains unsettled). The City attempted to reach a settlement with St. Joseph's Health in FY19, but the health system's offer of a low per-bed fee for limited facilities without any "look-back" to previous years was unfair and unacceptable to Paterson taxpayers. The tax court dispute will continue in the discovery phase and is expected to take several years to resolve. The City also attempted to realize revenue through the sale of some of the hospital tax liens, but only garnered about \$57,000 due to the overall uncertainty of the investment.

OBLIGATORY EXPENSES

Properly managing the City's obligatory expenses has been a priority of the Sayegh Administration, especially after inheriting a structural deficit and no reserves. In FY19, the Administration limited non-contractual salary increases and expenses, instituted a non-essential hiring freeze, and began work cleaning up its CAMPS civil service system to lay the groundwork for a formal reduction-in-force (RIF) if necessary.

But obligatory expenses remain – including salary expenses with regular 2% increases, statutory expenditures, debt service, and reserve for uncollected taxes.

In FY20 we have added an appropriation for the current year expense for a previously unfunded liability – reserve for accumulated absences. This will cover payouts for retirements which the City previously funded through bond ordinances. This large legacy expense, especially for public safety employees, will now be primarily funded through the operating budget. Over the last three years, the amount is close to \$5M per year.

The largest area of obligatory expense -- 44% of the overall FY20 budget and \$115M -- is for employee salaries. This includes filling some current vacancies, with the Administration prioritizing those which provide constituent services or generate revenue, including public works, collections, and inspectors in numerous departments. But even with this limited hiring, employees in every department still struggle with work that used to be shared among numerous colleagues, affecting productivity and morale.

Close to 20% of the budget expenses are for other obligatory expenses, including 12% for statutory expenditures (\$32M), and close to 8% for debt service and reserve for uncollected taxes (\$21M). The reserve for uncollected taxes will likely increase in the introduced budget as a result of growth in overall assessed values, including a higher assessment for St. Joseph's Health. The St. Joseph's Health increase will also lead to a higher uncollectable amount.

These few categories – salaries, statutory expenditures, and debt service – account for almost two-thirds of the city's operating budget. Transitional aid helps support the remainder of the budget, including "other expenses," or the very life blood of the various departments. But even with this support, there is very little wiggle room for other spending. Better 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, the current budget leaves almost no opportunity to invest in technology or training to improve efficiency and professional development of employees. We rely heavily on grant funding to try to fill those gaps.

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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: REV State Transitional Aid			
One time conditional TA for creating sewer utility/convertng to SHBP	\$4,000,000	0	(\$4,000,000)
Description: REV Realized Interfund			
One time interfund - costs replenished from payout in prior year	\$1,016,838	0	(\$1,016,838)
Description: REV Realized from Cancelled FY18 Reserves			
One time cancellation of appropriations to cover insurance emergency and operating deficit from FY18	\$3,284,793	0	(\$3,284,793)
Description: REV Realized Interfund			
One time interfund - return of liability insurance reserves	\$1,180,669	0	(\$1,180,669)
Description: APPR All Departments – S&W			
	\$112,501,235	\$114,748,253	\$2,247,018
Description: APPR PERS & PFRS			
Pension costs	\$26,295,000	\$26,944,650	\$649,650

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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

CUTTING COSTS

1. Switched 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 2018, the City Council passed the necessary resolutions that allowed the City to prepare and implement the switch in January 2019. While the City believes it will be successful, the labor unions have filed a grievance over the switch to SHBP which arbitration may result in increased costs to the budget.

The FY19 budget amended its original estimated costs for overall health benefits to \$43,634,076, down from \$48.9 million. During the 8 months of the fiscal year, preceding the adoption of the budget, the city’s self-insurance ended up costing \$2.3 million more than the original projections for the initial 6 months ended December 31, 2018 (total cost, \$30.6 million). On the other hand, starting January 1, 2019, under the SHBP, the city realized a windfall of almost \$10 million for the six months ended June 30, 2019 (total cost, \$10.5 million).

An ancillary financial benefit of this switch is that the City of Paterson concurrently performed 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 SHBP plan.

2. Unfilled vacancies and overtime approvals

In FY19, the Administration left over 100 positions vacant, understanding that while it would result in \$4 million in savings, a large portion would be sacrificed to overtime expenses caused by staff coverages. The vacancies also resulted in a drop in basic city services, but it was necessary to fill a revenue gap.

For FY20, the Administration is filling most of those vacancies to stabilize city services, but also aggressively managing overtime to keep departments in budget. The Office of the Business Administrator has instituted a

policy requiring pre-approval of all overtime, including public works and public safety.

3. Labor contract negotiations

All 17 labor contracts expired at the end of June 2019, and the Administration is aggressively negotiating new contracts with city employee bargaining units that limit impacts to taxpayers. All increases will be limited to a maximum 2% increase, inclusive of all economic benefits.

4. Bringing fire-damaged building demolitions in-house

The Fire Department utilized CDBG funding in FY19 to secure long-term leases on demolition equipment (excavator, Mack trucks, roll-off trailer). This will allow for the Fire Department to oversee the demolition of fire-damaged and hazardous buildings. The City will no longer need to use the DCA Demolition Loan Fund to pay for outside demolition contractors, saving between \$30,000-\$50,000 per demolition. This will likely help us save between \$250,000 - \$500,000.

5. Privatizing services

The Sayegh Administration continues to explore privatizing certain city services to realize budgetary savings, including landscaping in certain parks and snow plow services.

INCREASING REVENUE

1. Increasing sewer rates and creating utility

For decades, the City's sewer expenses outpaced sewer revenues, and in recent years over \$5M annually was being absorbed by the general operating budget. In FY19, the Administration and City Council implemented changes recommended by expert consultants to increase rates and measure all users by flow volume. This allowed the City to separate sewer expenses and revenue in a self-liquidating utility, eliminating the need for general operating support for FY20. **In FY19, the City also sent out a special assessment to attempt to fill this revenue gap for FY19, generating \$1.8M in additional revenue.**

2. Sale of city-owned property

Paterson is nearly complete with its sale of 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. **While we had hoped the Armory sale would realize \$3 million for the FY19 budget, we will now be able to include it in the FY20 budget.**

The city is preparing one additional city-owned property for sale. The former Leader Dye factory sits on contaminated land and the city utilized 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 was fully subsidized through state funding in order to prepare the property for auction or private sale, which we expect to happen before the close of 2019. **Thus, we are anticipating \$2.8M for the FY20 budget.**

We understand these are short-term solutions for budget gaps. We hope that, as we move forward in increasing recurring revenue, we would use these sales of city-owned property to build our reserves instead of filling recurring revenue gaps.

3. Updated/new fees

Each year city departments are asked to examine and increase existing fees for licenses, inspections, permits, and other services as appropriate. Some departments have also added new fees, including re-inspection fees.

The City is also now collecting \$200,000 annually from sewer connection fees as sewer utility revenue and looks to collect at least \$60,000 annually from our newly instituted escrow fees for development as operating fund revenue. 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 28% of city property. 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.

SHARED SERVICES AND CONSOLIDATION

1. Public Safety Consolidation and Restructuring

The City of Paterson consolidated the police and fire departments into divisions under a Department of Public Safety, eliminating four supervisory positions in total. The Administration realized a savings of over \$250,000 with this effort, due to its mid-year implementation.

Through this consolidation, the City is also combining dispatch into one communications center, and looks to realize savings of about \$180,000 with the reduction of redundant telecommunications positions.

Additionally, the Fire Division has submitted plans to reduce their overall table of organization to more appropriate levels, supporting 371 positions for firefighters and eliminating 4 of 16 fire inspection positions to properly right-size the department. The Division will also fill vacancies in their mechanic positions in order to service and repair other vehicles in the City's fleet from the Health Department, Community Improvements Division, and Community Development, providing tremendous savings and efficient service. Finally, the Division is also consulting with the Department of Public Works to identify inefficiencies in their processes and create a more cost effective and service oriented environment.

2. Shared Services Agreements

The Sayegh Administration is examining numerous shared services agreements with partner entities to increase services while minimizing expenses. These agreements have already contributed to budgetary savings and led to increased revenue.

- Paterson Parking Authority – PPA currently shares the services of a grant writer with the City of Paterson, leading to over **\$440,000 in new grant awards as well as work-product support on securing \$1,325,000 in repeat awards.** A new and updated agreement in FY20 will detail increases in reimbursement for numerous city services, including public safety and solid waste. Early projections suggest factual support to increase a proposed annual reimbursement to over \$1M, instead of \$400,000. The City looks to begin these negotiations with the Parking Authority in Fall 2019.
- County of Passaic – In March 2019, the City of Paterson and the County of Passaic created a shared services committee to make progress on sharing services and finding efficiencies. In FY19, the City agreed to participate in the County's energy co-operative and in FY20, the City will join the County's fiber optic network, both resulting in tens of thousands of dollars in savings. The City will also save \$48,000 for 10 months of FY20 salary and wage expenses and \$35,000 in fringe benefits by transferring responsibility of the Weights and Measures Division to the County in FY20. The parties continue to explore other savings, which may involve our senior transit services, aspects of our Division of Health, and park planning expenses.
- Paterson Public Schools – An updated agreement in FY20 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.

- Housing Authority – updated agreement in FY20 will detail increases in reimbursement for numerous city services, including public safety, solid waste, and recycling collection at housing complexes. Early projections suggest factual support to increase a proposed annual reimbursement to over \$500,000, instead of \$227,448. The City looks to begin negotiations with the Housing Authority in Fall 2019.
- 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; in FY20 the City looks to negotiate expiring and future agreements to include fee paid by municipality to support capital expenses.

IMPACT OF NEW BUSINESS AND DEVELOPMENT

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

- The Sayegh Administration has actively supported businesses as they seek to expand their business or relocate to Paterson. Two firms – Biogenesis and Yoland – recently moved to Paterson, bringing 175 jobs to the City. Current business and local employers – including Brothers Produce, Kontos Foods, Taskin Bakery, and Atlantic Gutter Group – have expanded their operations, securing close to \$52 million in government and private financing.
- The Administration continues to work to take advantage of the federal 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, including participating in the NJ Economic Development Authority’s Opportunity Zone Challenge for grant funding, is a high priority.
- The Sayegh Administration, working alongside the Paterson Parking Authority, submitted applications 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 Paterson.
- The Administration continues to support, recruit, and retain developers focused on a range of housing and mixed-used projects, with close to 30 projects approved over the last year totaling over \$210 million in value.
- The Sayegh Administration welcomed and supported numerous cannabis companies, including industry leader Green Thumb Industries (GTI), who won a license in FY19 and will open both a “grow” facility and medical dispensary in Paterson. Paterson is poised to gain jobs and tax revenue from this lucrative sector, especially once cannabis is fully legalized.

The excitement and energy generated by all of these meetings and partnerships 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.

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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.

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VI. Historical Fiscal Statistics

Item	2018	2019	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$2.624	\$2.742	\$2.548
Municipal Purposes tax levy	\$153,123,302	\$156,114,799	\$159,237,095
Municipal Open Space tax levy	\$0	\$0	\$0
Total general appropriations	\$283364468	\$285,201,875	\$263,737,141
2. Cash Status Information			
% Of current taxes collected	96.78%	96.76%	%
% Used in computation of reserve	95.69%	96.76%	97.28%
Reserve for uncollected taxes	\$10,400,924	\$8,117,915	\$6,991,792
Total year end cash surplus	\$(2,885,098)	\$973,623	
Total non-cash surplus	\$2,053,636	\$339,402	
Year end deferred charges	\$1,320,156	\$710,695	
3. Assessment Data			
Assessed value (as of 1/10)	\$5,686,403,428	\$5,813,344,628	\$6,220,103,228
Average Residential Assessment	\$185,023	\$186,951	\$192,409
Number of tax appeals granted	1236	1207	
Amount budgeted for tax appeals	\$0	\$0	\$1,000,000
Refunding bonds for tax appeals	\$0	\$0	\$0
4. Full time Staffing Levels			
Uniformed Police - Staff Number	418	418	393
Total S&W Expenditures	\$42,696,996	\$42,440,828	\$44,345,043
Uniformed Fire - Staff Number	372	385	385
Total S&W Expenditures	\$38,961,469	\$36,822,764	\$40,563,121
All Other Employees - Staff Number	807	867	890
Total S&W Expenditures	\$28,639,556	\$33,138,528	\$35,568,433
5. Impact of Proposed Tax Levy			
			Amount
Current Year Taxable Value			6,220,103,228
Introduced Tax Levy			159,237,095
Proposed Municipal Tax Rate	2.548	Average Res. Value (#4 above)	192,409
Current Year Taxes on Average Residential Value (#4 above)			8,000
Prior Year Taxes on Average Residential Value			8,087
Proposed Increase in average residential taxes			0

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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

Item	Yes	No
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		
\$4,876,930		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance		x
waiting for cap calc sheet from DLGS		
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
Emergency Management SW	160,000	1,219,479	1,059,479
Police SW	46,492,712	47,424,636	931,924
Emergency Management OE	79,298	858,298	779,000
Solid Waste	9,850,000	10,500,000	650,000
City Council SW	630,000	843,017	213,017

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

Under the direction of our DCA Monitors, the City of Paterson is currently in a hiring freeze for new positions. These positions are currently included in the budget to be introduced in September 2019, but will not be filled until given approval by the monitors.

Department/Agency	Position	Number	Dollar Amount
DPW – Engineering	Municipal Engineer	1	\$134,000
Information Technology	Tech Management Info Systems (to provide direct technical support to the new, consolidated communications center under Public Safety)	3	\$50,000 Total: \$150,000
Economic Development	Economic Development Rep	1	\$40,000

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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	159,237,095	13,797,625	24,650,000	114,868,383	75,780,340
Second year	162,421,837	13,765,000	20,952,500	117,165,750	75,700,000
Third year	165,670,274	13,765,000	17,809,625	119,509,065	75,700,000

VIII. Financial Practices

2. 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	

2. 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		

2. 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	

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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 unless one-time revenue and increased tax levy do not materialize				
Wage Freezes (describe below)				
N/A unless one-time revenue and increased tax levy do not materialize				
Layoffs (describe below)				
N/A unless one-time revenue and increased tax levy do not materialize				

D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2019 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 2019: Date:	12/2018 and 6/2019	
4. Date of last tax sale: Date:	6/27/19	

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:

2018	\$132,389.08	2019	\$224,511.89	Anticipated Application Year:	\$169,000
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2. List the instruments in which idle funds are invested:

Cash Management Fund	
Money Market Accounts	

3. What was the average return on investments during 2018?

.9925%

4. Left Blank Intentionally

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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, but changing this year; on
9/10/19, we hope a new firm
will be approved by Council.

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, 2019	Pending- In negotiations
Crossing Guards	June 30, 2019	Pending- In negotiations
DPW Blue	June 30, 2019	Pending- In negotiations
DPW Supervisors	June 30, 2019	Pending- In negotiations
Firefighters	June 30, 2019	Pending- In negotiations
Fire Battalion Chiefs	July 31, 2019	Pending- In negotiations
Fire Captains	July 31, 2019	Pending- In negotiations
Fire Deputy Chiefs	July 31, 2019	Pending- In negotiations
Health	June 30, 2019	Pending- In negotiations
Law	June 30, 2019	Pending- In negotiations
Library	June 30, 2019	Pending- In negotiations
Library Supervisors	June 30, 2019	Pending- In negotiations
Police Motor Pool	June 30, 2019	Pending- In negotiations
Police PBA	July 31, 2019	Pending- In negotiations
Police SOA	July 31, 2019	Pending- In negotiations
White Collar	June 30, 2019	Pending- In negotiations
White Collar Supervisor	June 30, 2019	Pending- In negotiations

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	2020 PILOT Billing	2019 Assessed Value	2019 Taxes If Billed in Full at 2018 Total Tax Rate	Term of Tax Abatement
ASPEN HAMILTON	PILOT	\$91,905.00	\$3,737,800.00	\$161,697.23	40 YEARS
BROOKS SLOATE	PILOT	\$175,569.00	\$11,760,000.00	\$508,737.60	15 YEARS
COLT ARMS	PILOT	\$420,236.50	\$13,570,000.00	\$587,038.20	50 YEARS

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CONGDON MILLS	PILOT	\$87,257.50	\$3,736,200.00	\$161,628.01	25 YEARS
FEDERATION APTS	PILOT	\$206,832.00	\$12,807,200.00	\$554,039.47	50 YEARS
GOVERNOR PATERSON TOWER I, II, III	PILOT	\$639,881.00	\$19,415,500.00	\$839,914.53	50 YEARS
RIESE-MADISON PARK	PILOT	\$76,546.00	\$5,027,900.00	\$217,506.95	50 YEARS
I.N.C.C.A – TRIANGLE VILLAGE	PILOT	\$179,867.00	\$14,561,600.00	\$629,934.82	50 YEARS
JACKSON SLATER/MARTIN DEPORRES	PILOT	\$214,495.00	\$4,160,000.00	\$179,961.60	50 YEARS
MADISON AVE APTS	PILOT	\$173,083.00	\$6,925,900.00	\$299,614.43	50 YEARS
PATERSON HOUSING AUTHORITY	PILOT	\$131,669.50	\$122,936,600.00	\$5,318,237.32	VAR. ABATE.
GREAT FALLS	PILOT	\$238,622.50	\$7,928,200.00	\$342,973.93	20 YEARS
446-460 E 19 TH ST	PILOT	\$25,607.00	\$2,985,900.00	\$129,170.03	30 YEARS
BELMONT/MCBRIDE TOWERS	PILOT	\$40,697.00	\$4,605,300.00	\$199,225.28	30 YEARS
HOPE '98 N MAIN ST SCATTERED	PILOT	\$72,559.00	\$8,762,700.00	\$379,074.40	30 YEARS
HOPE '98 BEECH ST	PILOT	\$34,281.00	\$2,304,800.00	\$99,705.65	30 YEARS
HOPE '98 VAN HOUTEN ST	PILOT	\$33,753.00	\$4,030,200.00	\$174,346.45	30 YEARS
RISING DOVE SENIOR APTS	PILOT	\$30,605.50	\$5,076,100.00	\$219,592.09	40 YEARS
BELMONT 2007 H.A.	PILOT	\$16,838.80	\$4,954,300.00	\$214,323.02	30 YEARS
CHRISTOPHER HOPE '99	PILOT	\$113,689.00	\$1,721,000.00	\$74,450.46	30 YEARS
ALEXANDER HAMILTON HERITAGE I,II,III,VI&VII	PILOT	\$134,051.14	\$25,366,000.00	\$1,097,333.16	90 YEARS

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 and Statutory Agencies			All departments started the FY20 budget process with their baseline being the amount expended for FY19, which in most instances, was less than FY19 adopted budget amounts. Where applicable, departments were permitted to request over the expended amount, but only costs that were contractually certified.
Health Benefits			The city will experience a full 12-month cycle using the SHBP for health benefits of active employees, retirees and dependents. The budget will reduce by more than \$1.6 million in FY20.
Sewer Related Costs			The city created a Sewer Utility, effective July 1, 2019, and has transferred both direct and indirect costs of operating the utility. The direct costs include DPW, Finance, sewerage sludge removal (PVSC), capital improvements and debt service, which account for \$17.7 million. The indirect costs include General Government, Administration, Finance, Law, and DPW, which account for an additional \$2 million.

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	X	NO	The net program services are covered by municipal budget	The city's socioeconomic profile is below poverty.
Sewer Fees	X	YES		The city made major changes to our sewer billing in FY19. We are now billing all users by volume, we increased rates using data from a formal rate study to cover all operating costs, and we created a sewer utility fund. We will monitor our revenue in FY20 and create a capital fund plan to determine if our current rate structure is adequate.
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	Recently passed ordinance in August 2019; will begin collecting ASAP.		

Land Use Escrow fees for independent contractors	X	Recently passed ordinance in August 2019; will begin collecting ASAP.		

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 of 10 Vehicles from Beyer Ford for the Fire Department	The Cranford Cooperative Contract #47-CPCPS, Item #2 & ESCNJ Co-Op Contract No. 6MCESCCPS	\$448,668.60	2019
Preventive Maintenance/Repair of Communication Equipment, from Communications Specialist, Inc.	Morris Cooperative Pricing Contract No. 38	\$46,000.00	2018-2019
Purchase, Delivery and Installation of a 20 Ton Air Conditioning Unit Model #York J20ZFN40R2C1AAA1A1, from Johnson Controls, Inc.	Sourcewell formerly National Joint Power Alliance Contract No. 030817-JHN	\$39,890.00	2018
Municipal Complex HVAC Upgrade, from Johnson Controls, Inc.	Sourcewell formerly National Joint Power Alliance Contract No. 030817-JHN	\$1,829,416.00	2018
The Purchase of Rock Salt, from the Detroit Salt Company	Passaic County Cooperative Pricing System Contract No. 38PCCP	\$250,000.00	2018-2019
The Purchase, Delivery & Installation of a Synthetic Turf Field at Buckley Park, from Athletic Fields of America	Sourcewell formerly National Joint Power Alliance Contract No. 060518-SII	\$1,370,475.00	2019
For the use of a Pistol Range for the 2019 Fiscal Year, from the Borough of Paramus Police Department	Shared Services	\$58,000.00	2019
The Purchase & Installation of Fence, Gates & Accessories as well as for Emergency Repairs for various locations	Morris County Cooperative Price Council Contract No. 53	\$61,000.00	2019
The Purchase & Delivery of 1012 64 Gallon 240 Residential Recycling Bins for the Recycling Division	Houston-Galveston Area Council Contract No. RC01-18	\$37,676.76	2019
Lease/Purchase & Delivery of One 2020 Mack P164T, One 2019 Mack GR64B & One 2019 Fontaine MAG55H, from Grande Truck Center/Bruckner Truck Sales, Inc.	Houston-Galveston Area Council Contract No. HT06-18	\$469,310.31	2019

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Lease/Purchase & Delivery of One Komatsu Excavator, from F & M Equipment LTD., D/B/A/ Komatsu Northeast	Houston-Galveston Area Council Contract No. EM06-17	\$355,065.25	2019

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	2019 Full Time Staffing	2020 Full Time Staffing	\$ Amount to be Saved
1	City Wide Furlough (Except for all Public Safety department employees, uniformed and non-uniformed)	800 furloughed	1/1/2020-6/30/2020	Would impact all non-public safety employees only		Furlough 1 day per pay period: Avg salary pp \$40,000 means 5% reduction for 6 months, or \$2,000 pp \$1,600,000 total savings
2	General Layoff	28 (\$30,000) 18 (\$50,000) 7 (\$80,000) 3 (\$100,000)	2/1/2020			Per 56 employees laid off, over a 5 month period, and after paying self-insured SUI \$698,200 total savings, or avg \$5,912 pp

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

Rank Order	Service	Cost Savings	Impact on Services
1	Furlough referenced above		The general government services, which cover the day to day operations in the City Clerk, City Council, Mayor’s Office, Business Administration, Health & Human Services, Finance, DPW, Law, Economic Development, Municipal Court, Library, Museum would be reduced dramatically. The quality of life services that impact garbage and recycling pickup, downed trees, broken street lights, health services for the indigent and elderly, etc. would all be reduced to 95% of efficiencies. Once the time has passed to perform the service, it cannot be regained.
2	General Layoff		Our median salary of \$40,000 would necessitate the layoff of 107 employees on a 5 month basis, for each \$1,000,000 in savings.

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 2019 MOU and is operating in good faith to correct those area of noncompliance that have been identified.

Mayor: [Signature] Date: 8/29/19
 Chief Financial Officer: Margaret L. Cherone Date: 8/29/19
 Chief Administrative Officer: [Signature] Date: 8/29/19


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: [Signature] Date: 8/29/2019
 Chief Administrative Officer: [Signature] Date: 8/29/19

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: 8/29/19

Chief Financial Officer: Margaret L. Cherone Date: 8/29/19

Chief Administrative Officer:  Date: 9/24/19

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APPENDIX A

Submission Checklist:

- Signed and certified application
- Copy of introduced budget, Annual Financial Statement and budget documentation
- Organization charts
- Copies of current labor contracts
- Copies of salary ordinance/resolutions and any contracts of non-union affiliated individuals
- Debt service schedules for all municipal obligations, including municipally operated utilities; all listed by payment date
- For prior recipients requesting level or increased funding, a letter from the Mayor explaining why they failed to reduce their need for funding
- For new applicants, a governing body resolution authorizing application and agreeing to State supervision immediately upon filing of the application.
- A list of all motor vehicles owned or leased by the municipality (excluding construction equipment and fire apparatus); the agency assigned to its use; if the vehicle is assigned to an individual, the name of the individual; and if the vehicle is used by the individual outside of the regular work day or taken home by the individual
- A certification that copies of all active collective negotiations agreements and the cost-out of each have been delivered to PERC. Support documentation regarding the method of cost out must also be provided

Submission Instructions:

- E-mail electronic forms to dlgs@dca.nj.gov, with "<name of municipality> Transitional Aid Application" in the subject line.
- Submit one copy of the signed application form and any printed documents to:
 - Transitional Aid Program
 - Division of Local Government Services
 - 101 South Broad Street
 - PO Box 803
 - Trenton, NJ 08625-0803