

**Ratable Destruction Aid Program
Calendar Year 2021
Division of Local Government Services
Department of Community Affairs**

Background: The FY 2016 New Jersey State Appropriations Act, (P.L. 2015, c.63, approved June 26, 2015) established a limited program to provide short-term financial assistance to a municipality that is experiencing financial distress caused by the “destruction or loss of one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which comprised the largest assessed valuation of any one or more line items of taxable property in a municipality...”

This program is expected to continue in FY 2022. Successful applicants in 2021 will be awarded funding, subject to availability, in amounts necessary to generate revenue for the support of the municipality, school district, and county as though the destruction or loss of one or more related parcels of property had not occurred.

The document is the application for such funds. Please fill it out in its entirety and submit it to the Division no later than April 9, 2021.

1. APPLICATION INFORMATION

Name of Municipality:	Township of Nutley		County:	Essex
Contact Person:	Rosemary Costa		Title:	C.F.O.
Phone:	973-284-4961	Fax:	973-284-4907	Email: rcosta@nutleynj.org

Aid History

List amount of Aid received for the last three years:

CY 2020	CY 2019	CY2018
\$3,250,000.00	\$3,250,000.00	\$4,100,000.00

Aid Request for Application Year: (Any municipality currently operating under a Ratable Destruction Aid MOU is advised that a decrease from prior year funding should be anticipated.)

Amount of aid requested for the Application Year:	\$3,250,000.00
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2020-5.

2. PRIOR SUBMISSION AND DIVISION APPROVAL OF LOSSES.

In anticipation of this limited program being enacted as proposed in the Governor’s Budget Message, the Division sent the following notice to every Local Finance Officer on May 1, 2014.

“In recognition of the disruption that substantial property destruction has on local budgets, the Governor has newly proposed as part of the State budget, that local governments can apply for financial assistance from the Division of Local Government Services under limited circumstances. To qualify, a municipality must initially provide to the Division of Local Government Services an analysis prepared or approved by its assessor that documents, by block and lot, that they have lost property tax ratables or PILOTs (on a single property or properties with common ownership) from the 2013 budget year to the 2014 budget year equivalent to at least 10% of the entire ratable base of the municipality. Such a loss must be either directly or indirectly attributable to a single event such as a natural disaster or a business relocation that resulted in the destruction of physical properties. The assistance is not available due to lost property values as a result of tax appeals, revaluations, or reassessments. If you believe your municipality may be eligible for assistance, please send an email to DLGS@dca.nj.gov [with] an analysis prepared and signed by your assessor no later than May 15 that demonstrates the impact referenced above. Please include “Assessment Losses” in the subject heading. Staff from DLGS will respond to your email with next steps which will require a more formal application that is currently under development.”

Yes/No Did the applicant submit a report prepared by the assessor in a form substantially similar to the requirements of the May 1, 2014 Notice?

If “no”, do not complete this application until the required assessor analysis has been separately prepared and sent for review by the Division.

If “yes” attach a copy of the assessor’s report, together with a letter that you would have received from the Division indicating our findings as relates to the submission.

- See Attached

3. PROHIBITION AGAINST DUPLICATING BENEFITS

Yes/No Has your municipality already received compensation for the loss revenues due to the destruction of properties from any other source (i.e., an Essential Service Grant through the Community Development Block Grant Program?)

If “Yes” please explain the level of compensation and restrictions and conditions on use.

4. CONSENT TO DISCLOSURE AND MONITORING

Every successful applicant shall be required to submit by December 31, 2020: (a) a completed questionnaire in substantial form as reproduced such as Attachment A; (b) an updated report prepared by the assessor as to property destruction and ratable losses; and (c) a plan to expeditiously restore impacted ratables. Additionally, the Representatives of the municipality may be required to meet with the Division to discuss the submissions.

Yes/No Does your municipality agree to execute a grant agreement that requires the submission of the required material and meet with the Division to discuss same?

5. SUBMISSION OF A TRANSITION PLAN




The Municipality shall submit a plan on or before June 30, 2020 detailing how it intends to reduce its reliance on Ratable Destruction Aid (the "Transition Plan").

In no case shall the Transition Plan provide for a phase out of the aid over a period of more than three years. The Transition Plan must set forth reasonable efforts to reduce or restrain costs in the CY2020 Budget. The Transition Plan shall discuss initiatives to bring structural balance to the Municipality's finances and shall include, but not be limited to, all of the following:

- An acknowledgement that the Municipality needs to reduce its reliance on Ratable Destruction Aid; and
- Efforts to bring economic development to the Municipality; and
- A plan to constrain or reduce staffing costs through aggressive collective negotiation agreements, attrition, consolidations, restructuring, or other personnel actions; and
- A plan to eliminate, reduce or constrain the costs of non-essential and low-priority 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 pursue shared services and consolidation, long-term cost cutting and enhanced revenue plans, new development, potential for grants to offset costs, and estimated short and long-term annual savings; 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.

6. CERTIFICATION

The undersigned herewith certify that they have reviewed this application and assessor's report referenced herein, and find its contents to be accurate

Official	Signature	Date
Mayor/Chief Executive Officer		04/09/2021
Director of Revenue and Finance		04/09/2021
Chief Financial Officer		04/09/2021

**ATTACHMENT A
FORM OF QUESTIONNAIRE
DIVISION OF LOCAL GOVERNMENT SERVICES**

FORM OF QUESTIONNAIRE FOR APPLICANTS SEEKING ASSISTANCE WITH RATABLE LOSSES, CY 2020

LOCAL GOVERNMENT: Nutley

I certify that the information provided on this form is correct to the best of my knowledge.

Signature of Chief Financial Officer: _____

Printed name of Chief Financial Officer: Rosemary Costa

Date: 04/09/2021

Identify all individuals who participated in the completion of this form:

- Commissioner Thomas J. Evans
- Alan Genitempo, Township of Attorney
- Rosemary Costa, Chief Financial Officer

1) Discuss personnel or revenue actions the applicant has taken to reduce the need for future assistance?

The Township of Nutley continues to be rebound from the closure of the Hoffman La Roche site in 2013. While we have taken internal actions to mitigate the loss of revenue, coupled with continued TSA support, the ultimate solution will require permanent State Aid. To date, our actions include:

Our application and continuing request for aid is based on the divestiture of the Hoffman La Roche property in 2013 and the significant commercial ratable loss to the Township. In 2013, HLR provided the Township with \$10.1 million in ad valorem taxes. Today, this amount would exceed \$11.5 million. Prior to 2013, this amount was over \$12.0 million, however, large building demolitions reduced this amount in 2011. The divestiture and closure represented 50% percent of our commercial ratables and over 9% of our tax levy. The TSA formula was specifically modified to include this type of event when the divestiture results in an exit from the State of New Jersey as occurred with this closure.

Our initial aid awards reached a peak at \$5.5 million in 2015 and 2016. This amount has steadily reduced and has been stabilized at \$3,250,000 for 2019 and 2020. While many factors influence our request for aid the most prominent rests with the launch of New Jersey’s first private medical school which sits on 11 acres of prime land located in the heart of the main campus. The medical school is highly successful. Its launch addresses a statewide public

need for doctors, nurses, and medical technicians. The launch of this school was only possible with the Governor's commitment to provide permanent aid to the Township.

In making this commitment, it was understood then, and it remains the same today, that the Township could not absorb the over \$3.0 million financial loss associated with not being able to redevelop this prime real estate located in the heart of the Northeast corridor 13 miles from New York City. Given the State's commitment, we were able to proceed accordingly. The permanent revenue loss related to the medical school alone is over \$3.0 million (\$3.6 less Pilot revenues of \$490,000). This prime land now occupies surface parking for almost 500 cars and a grassy area to create a campus environment for the students. The school building itself crosses the municipal boundary with our neighbor Clifton, with only 37% of the building situated in Nutley. As more fully explained later in this document, we are working hard to find a way to regain tax revenues that have been lost since 2013. Our progress has slowed given multiple challenges with the redeveloper. Based on our work to date, the conversion of this property to its new destination state will result in a permanent loss in tax revenue to the Township. Our actions for question 1 are as follows:

- To date, through a combination of 3 PILOT agreements and the available ad valorem tax base, property tax revenues have been stabilized at \$4.0 million. Tax revenues in 2013 amounted to \$10.1 million. In today's dollars this amount would exceed \$11.5 million. Tax revenue losses remain high at \$7.5 million.
- A new hire freeze and a quarantine on non-essential spending established in 2020 remains in effect for 2021.
- Given the expiration of our union contracts a zero-salary increase has been budgeted for 2021. Contractual steps exist for employees; however, it is our intention to try to renegotiate these as well. This has high risk given that union contract negotiations are pending for Police, Fire and Teamsters.
- We continue to manage employee headcount thru attrition and consolidation of processes wherever possible, in both the Current Fund Operations and the Water Utility operations.
- Temporary/Seasonal and Part-time help is being utilized when necessary, reducing pension and benefits costs.
- DPW and Revenue and Finance departments restructured and reduced head count in prior years. In 2020, the Department of Parks and Public Property has completed the restructuring of their operations. As a result, two permanent positions have been eliminated with a reduction in net salaries of \$157,000 for 2021.
- Public Safety is the most significant cost for our township. Effective for April 2021, this department has had to assume the operations for emergency rescue services given the dissolution of the Nutley Volunteer Emergency Rescue Squad. The net cost, after revenue recovery, pending DCA approval, amounts to \$203,500. The NVERS has provided this service since 1953, however, given COVID and a financial fraud they are no longer able to do so.
- The elimination of the longevity program for employees has been accomplished as follows: Non-Union employees for new hires as of

03/22/2004; PBA FMBA, and SOA for new hires beginning 01/01/2014; Teamsters for new hires beginning 06/07/2011; and IBEW for new hires beginning 04/01/2013.

- We are using SLEO's to augment our police staff. One is assigned to the municipal court to provide security. Two others do various tasks to free up our police officers for more emergent tasks.

A. Explain personnel actions including layoffs, furloughs, attrition, concessions, etc.

- Implemented a Hiring Freeze for new positions and replacement in 2020 that remains in effect for 2021.
- Parks and Public Property eliminated 2 more positions in the Fall of 2020, via lay-off, adding to its prior force reductions totaling more than 10 full time employees.
- Revenue and Finance, through consolidation and attrition eliminated 4 positions across the department. Replacements have been limited to entry-level clerk positions.
- DPW eliminated 7 full and part-time employees through attrition and now outsources recycling collection to a third party.
- Seasonal, part-time, and temporary employees have replaced full-time employees where practicable.
- Shared Services with the Board of Education for Physician Services and Solid Waste Collection, the Township of Bloomfield for Animal Control, and the Township of Montclair for Health Officer have provided cost savings for the Department of Public Affairs.
- Concessions have resulted in the elimination of the longevity program for all new hire union and non-union employees.
- Concessions have resulted in steps being added to the ranges of police officer and firefighters, as well as for police and fire ranking officers.
- Capping of Sick Day Payout for PBA and FMBA thru Sick Day Bank Provision.
- Open positions will be filled with Part-Time employees whenever possible and therefore ineligible for benefits providing cost savings.
- We are seeking to continue the employee contribution for health benefits at the current percentages established under the SHBP when negotiating expired collective bargaining agreements.

B. Explain procurement efforts including rebidding services, energy, etc.

- The Township is fully compliant with Local Public Contracts Law with our purchase requirements under the direction of our QPA. RFP/RFQ/Competitive Contracting process is used where appropriate to allow for the best pricing to be obtained.
- When bid prices are higher than projected or more than funding available, the township will reject and then rebid. After third time, we will negotiate price.
- The Township has established memberships with multiple County Co-Ops and State Contracts to obtain most favorable pricing without costs associated with bidding process, whenever practicable.

- Shared Service Agreements/Commodity Resale System with the Board of Education for Physician Services, Gasoline System, and Fiber Optic Installation Project/internet Services, and Bulk Garbage Removal to manage/reduce costs for both entities.
- Shared Service Agreements with Township of Montclair for Health Officer.
- Shared Service Agreements with Township of Bloomfield for Animal Control Services.
- Participation in the SEM, a reverse auction for both gas and electric.
- By utilizing the First Net Cell Phone Plan, we have been able to control the cost of our cell phones to \$39.99/month for unlimited text and data.
- Set Cell Phone Policy-iPhone 8-is \$.99 under our First Net Plan.

C. Explain service restraint including the elimination or curtailment of nonessential services.

The Township maintains a vigilant focus to ensure that we provide the necessary services to fulfill our obligation to meet our needs for the health, welfare, and safety of the community. Our trend in service costs has been stable since 2014 in all areas, except for Public Safety. Fierce union negotiations, greater technology needs, officer training and compliance procedures continue to burden our Police Department. Statutory mandates for fire personnel, coupled with the 2021 inclusion of emergency rescue services continue to challenge the budgetary requirements here. The Township has never had the ability to provide an array of non-essential services. Where possible we have increased user, permit, recreational and license fees, and incorporate volunteers whenever possible.

D. Explain efforts at increasing revenue, including adjusting fees to reflect the cost of services such as water, sewer, and recreation.

- Established a water maintenance fee in 2019 which has stabilized water rates for 2020, 2021 and for 2022. We will need to evaluate rate adjustments for 2023.
- Review of Liquor License Fees annually and adjust when needed.
- Review of Construction Code Fees annually and adjust when needed, while remaining competitive with neighboring municipalities.
- Charging Fees for services when permitted by statute i.e., returned check fees, tax office services, credit card processing, etc.
- In 2019, the Township completed the upgrade of our parking meters which now include the use of credit cards. Revenues have increased about \$40,000 as a result.
- Expanded electronic payment methods to enhance revenue collection adding Dog and Cat licensing for 2021.
- Review Recreation Program Fees to keep the program self-sustaining while still affordable to our residents.
- The Township continues to actively drive coordination between the Tax Assessor and Code Enforcement to capture added assessments as soon as possible.

2) Disclosures.

A. Attach a copy of all collective bargaining agreements and individual employment agreements.

- The PBA contract expired on 12/31/2020.
- FMBA and IBEW contracts expired on 12/31/2019. FMBA contract has been extended thru 12/31/2020.
- IBEW Contract has been extended thru 12/31/2020.

B. Attach a copy of compensation of all officer and employee payroll: including name, annual salary, department, division, and title.

- See Attached

3) Have pay increases been awarded in the current year to employees who are not contractually entitled to them? If yes, please attach the names, positions, and the increase in gross dollars and as a percentage of the base salary:

- Our non-union employees represent a fraction of our headcount. Salary increases for non-union employees have been awarded thru 2020 consistent with our union employees in the Teamsters. See the attached employee listing.

4) Do elected officials receive compensation? The term "compensation" shall include, but is not limited to, salary, stipends, bonuses, or health benefits/payments in lieu of benefits. If yes, fully disclose their annual compensation?

- Each Commissioner receives \$2,250.00, annually.
- The Mayor receives an additional \$450.00, annually.

5) Who is the current health benefit provider, and what is the current total cost of your benefits?

- NJ State Health Benefits Program.
- Gross Premium-Active & Retired.....\$7,682,000.00
- Less:
- Premium Reimbursement.....\$1,100,000.00
- Net Cost.....\$6,582,000.00

(a) If the municipality is not a member of the State Health Benefits Program (SHBP), are the benefits cheaper than or equal to what SHBP coverage would cost the municipality? N/A

(b) If you are not using the SHBP, do you have a broker? N/A

(c) If yes, did you procure the services of that broker through an ordinance modeled on The Citizens Campaign "Best Price Insurance Contracting" ordinance available at:

http://www.scribd.com/embeds/167448571/content?start_page=1&view_mode=slideshow? N/A

(d) If you are not using the SHBP and you have a broker, explain how the broker is paid. If it is a flat fee, please provide the fee amount. If the broker receives a commission, please provide the commission amount. N/A

6) Does the applicant provide vehicles for its local government officers or employees? If yes, please list the position(s) entitles to this privilege and the make, model, and year of the vehicle(s). If the applicant has a motor pool, please state all positions authorized to utilize the motor pool.

- Commissioner/Director of Public Safety-2018 Ford Explorer. No other elected official has the use of a municipal vehicle.
- Parks Dept. General Supervisor-2014 Dodge Durango -(24/7 Call), Business use only.
- Recreation Director-2017 Chevy Tahoe -(24/7 Call), Business use only.
- Parks & Recreation Staff-Unassigned-2016 Dodge Journey-Business Hours.
- Public Affairs Staff-2013 Silver Ford Focus; 2005 Dodge Durango-Business Hours Health Inspections and Senior/Veterans Transport; 2019 Dodge Caravan.
- Superintendent of Public Works-2008 GMC Yukon-(24/7 Call), business use only.
- Tax Assessor/Clerk-2020 Jeep Grand Cherokee- Business hours for Inspections.
- Construction Code Official-2014 Ford Explorer -(24/7 Call), Business use only.
- 2015 Ford K8B, 2005 Ford Ranger Pick-Up- Shared use for Inspections-Business Hours.
- 2015 Ford Explorer- Shared use for Inspections-Business Hours.
- Building Inspector-2001 Crown Vic--(24/7 Call), Shared use -Business Hours.

7) Does the applicant fund catering of events or meals for personnel? If yes, please provide a description of any such expenses funded by the applicant in the preceding twenty-four (24) months.

- N/A

8) Does the applicant pay for, or otherwise reimburse, out-of-State travel or any hotel stays – regardless of if out-of-state? If yes, please provide a description of any such expenses funded by the applicant in the previous twenty-four (24) months.

- N/A

9) Please list all existing shared services agreements the applicant has in place.

- Nutley Board of Education-Physician Services
- Nutley Board of Education-Bulk/Solid Waste Removal
- Nutley Board of Education-Fiber Optic/Internet Connect
- Township of Montclair-Health Officer
- Township of Bloomfield-Animal Control

10) Please list all shared services agreements the applicant is currently actively pursuing.

- TBD

11) Has the applicant reviewed all employees to ensure that they are not required to be paid as vendors? (i.e., an employee who might serve as a partner at law or engineering firm and that current law prohibits from being enrolled in the pension system? See Pages 18-19 of the July 17, 2012 State Comptroller report.)

- Yes. The IRS audited the Township in 2013 and they determined that many of our "vendors" met their definition of "employee" such as referees, sports officials, substitute attorneys and judges, transcribers. They are being paid through our payroll.

a. Has the applicant removed all lawyers, engineers and other professionals who work for an outside firm from their status as pensionable employees?

- As instructed by the Division of Pensions, Township Attorney, and Planning/Zoning Board Attorneys that were hired prior to June 2007, are to remain members of the pension system. Those hired after that date are enrolled in DCRP.

12) Provide a list of attorneys, advisors, consultants, and any other person, firm, business, partnership, corporation, or other organization which received any remuneration of \$17,500 or more during the preceding fiscal year for any service whatsoever rendered to the applicant.

- See Attached

13) Explain any other local actions in the current year that are designed to obviate or reduce the need to issue debt or to seek approval for this application?

- The Township maintains a conservative capital improvement program which ensures our debt authorization and debt servicing costs remain stable. Our debt outstanding is \$17.1 million and represents 10% of our borrowing limit. Our debt is carried over a 10-year term with a current average interest rate of 1.99%, down from 2.52%. Successful bonding efforts in March and April 2021, have reduced our debt costs by \$170,000 this year which has been incorporated in our budget for 2021. The Board of Commissioners annually goes through a robust process to prioritize capital projects to those that are essential.
- The Township engages the services of a grant writer to maximize our ability to apply for and to receive grant funding primarily of roadway improvements, safe streets, etc. The Township actively pursues all grant opportunities.
- The Tax Assessor aggressively defends all tax appeals to protect the assessable tax base.
- The Township will be undergoing a Township-wide Revaluation Program in compliance with the County of Essex Revaluation Order. Current estimates project a negative shift to residential taxpayers of \$215.00 per average taxpayer. This is in addition to the projected 5.0 % (\$210.00 per average taxpayer) municipal levy increase projected for 2021.
- The most significant issue affecting the Township is the ongoing transition of the Hoffman LaRoche site which closed in 2013. Our efforts to convert this site to its future use have been stalled and we now face significant prolonged litigation with both the redeveloper and the City of Clifton. Our differences stem from an

unwillingness of both parties, primarily the redeveloper, to address the comprehensive traffic consequences associated with the projected uses on the site. Our need for aid is quite clear, as any effort to advance our ratable base will be delayed by several years. Given the significant traffic constraints coupled with our overcrowded schools, revenue recovery is more limited than expected and is not expected to return to 2013 levels. To summarize:

- Ralph Lauren has moved into its Corporate Headquarters into building 100 and a pharmaceutical company is expected to occupy building 200 this summer. These occupancies are covered under PILOT arrangements negotiated in 2019 and are included in our stabilized tax revenue estimate of \$4.0 million.
- **NO OTHER NEW DEVELOPMENT HAS OCCURRED ON THIS SITE since 2013.**
- Currently, a 150,000 square-foot truck terminal has been proposed on an 11-acre parcel by the redeveloper. This matter is in dispute as it is not an allowable use in the Township and ratable recovery is limited.
- Since their announcement to close this site, we have seen our commercial ratable base for this site reduced by over \$198 million arising from its change in use and major building demolitions since 2014. A loss of \$7.4 million annually.
- As noted earlier, 11 acres of prime real estate, located at the center of the main campus, has been converted into a private Medical School/Research Facility. A PILOT agreement is in place here. Other than 2.7 acres, where the medical building exists, the balance is now a parking lot and green space campus. Prior demolitions in this 11-acre area reduced our tax revenue from what currently would be \$3.7 million to approximately \$490,000 under the PILOT agreement.
- It is essential to understand and reaffirm that the decision to support this type of use was fully coordinated with the then Governor along with his commitment to provide permanent state aid to mitigate our revenue loss. The school creates a statewide benefit addressing a critical need for doctors, nurses, and medical technicians. The Township cannot afford to absorb this loss on its own. We are grateful for the Governor's continued support and the commitment for aid. While the 2021 shift of \$1.8 million of aid CMPTRA is a great start, it is not sufficient to meet our need. AS discussed on many occasions, our need is much greater.
- As I noted above, our forward progress has been stalled for over a year. Unresolved issues concerning infrastructure, schools, and traffic have dampened any redevelopment discussion. We made you aware of these issues last year.
- We have engaged Sam Schwartz & Co. to complete a comprehensive traffic study for the site. The results show that limited improvements can be made to existing

local roadways and that Rt3 is constrained by only accommodating Eastbound traffic. The Redeveloper will not acknowledge our multiple concerns.

- Our traffic expert has determined that a future build out of 3.5 million square feet estimated by the Redeveloper must be reduced by at least 1.0 million square feet. This significantly restrict redevelopment and our potential for revenue recovery since only an additional 900,000 sq ft can be improved in both sides of the property line (Nutley and Clifton combined). Given this conflict, legal action has been taken by all parties.
- The Township has developed a potential solution for traffic in this core economic corridor. Our traffic experts agree that the construction of a Westbound flyover would address the complex traffic issues for the site. Obviously, this is a long-term solution with an estimated cost of \$55.0 to 60.0 million to construct. The numerous approvals at the State, County, and local level further complicate this solution. This type of solution highlights the difficult challenges we face in trying to recoup lost revenue.
- Further complicating the conversion, is a court order for COAH. The court settlement requires that 55 affordable units be built on the Hoffman LaRoche property. The redeveloper has agreed to allow these units to be built. Here we are challenged to address our revenue loss on this prime land to address a broader need for statewide housing.
- The most significant potential for revenue recovery is through residential development. Given our longstanding issue with school overcrowding this option is more limited. Today our elementary schools use mobile trailers for classroom expansion in order accommodate student enrollment. The Township has voted down two referendums for \$50.0 to \$60.0 million to expand our schools. The clear message from our taxpayers is that school capital improvements are unaffordable. Addressing COAH will add to our overcrowding issue.
- We have previously provided competent information regarding our existing state aid, noting that there are significant disparities in the aid that Nutley historically has received in comparison to neighboring towns. These differences are daunting and place a significant burden on our residents. The combination of this issue and the loss of ratables that represent fifty percent of our commercial ratable base and almost ten percent of our tax levy is a perfect storm for our Township. Its puzzling that Nutley will receive \$2.7 million in new Federal aid while Bloomfield will receive \$27.0 million.