

Transitional Aid Application for State Fiscal Year 2013
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by **September 28, 2012** for funding consideration under this program. Information contained in the application is subject to independent verification by DLGS. Refer to Local Finance Notice 2012-19 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7.

Name of Municipality:	City of Paterson		County:	Passaic	
Contact Person:	Russell R. Forenza		Title:	Budget Officer	
Phone:	973-321-1370	Fax:	973-321-1372	E-mail:	rforenza@patersonnj.gov

I. Aid History

List amount of Transitional or former Discretionary Aid (Extraordinary, Special Municipal, or Capital Cities) received for the last three years, if any:

FY 2012	FY 2011	FY 2010
\$21,000,000	\$28,325,000	\$27,000,000

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

Amount of aid requested for the Application Year:	\$28,500,000
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice #2012-19

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
2012 Annual Financial Statement	August 2, 2012
2011 Annual Audit	April 2012
2011 Corrective Action Plan	June 2012
Application Year Introduced Budget	October 4, 2012
Budget Documentation Submitted to Governing Body	September 28, 2012

IV. Application Certification

The undersigned herewith certify that they have reviewed this application and, to the best of their ability, find its contents to be true and that it accurately portrays the circumstances regarding the municipality's fiscal practices and need for financial assistance. By submitting the application, the municipality acknowledges that the law provides that the decision of the Director regarding aid awards is final and not subject to appeal.

Official	Signature	Date
Mayor/Chief Executive Officer		10/5/12
Governing Body Presiding Officer		10/5/12
Chief Financial Officer		10/5/12

V-A. Explanation of Need for Transitional Aid

Explain the circumstances that require the need for Transitional Aid in narrative form. Include factors that result in a constrained ability to raise sufficient revenues to meet budgetary requirements, and if such revenues were raised, how it would substantially jeopardize the fiscal integrity of the municipality.

Structural Deficit Background

The City of Paterson continues to wrestle with an ever-looming structural deficit which afflicts its annual budget. The annual budget is the source of its support to provide the residents and daily visitors with typical municipal services – police and fire safety, parks, recreation activities, clean and paved streets and bridges, libraries, etc.

Year after year, many services are being curtailed, reduced or simply eliminated. In a post-2008 real estate market crash, the values of the ratables on which the annual budgetary costs are assessed have substantially decreased. In fact, the amount of abandoned, foreclosed or bankrupt properties is still growing and will continue to increase as the property taxes of the City are disproportionate to the market values of the properties.

The idea that the City of Paterson can achieve property tax stabilization when it faces a consistent decline in revenue streams with simultaneous cost increases (many of which are mandates) should come to a screeching halt. The balancing acts have used up all of the ‘one-time’ solutions, such as the sale of City owned properties.

Even with one of the largest, single layoffs in the City’s history which occurred two years ago, the cost savings achieved bore little real budgetary savings but did create other negative ‘quality of life’ issues, that severely impact the community.

Reliance Upon State Aid – Paterson’s Life Support

The City’s annual process of balancing the revenues and expenditures always comes up short. The City’s reliance upon state aid remains a serious matter of ‘life support.’ With the current SFY 2013 budget process, we are facing a very real budgetary imbalance of approximately \$13 million AFTER consideration has been made to anticipate Transitional Aid for this year of \$20 million.

The City has been a recipient of this special aid for more than two decades, as the program has morphed into its current status. The City has always complied with the strict rules of participation in order to receive the state aid award. To this end the City makes certain that it implements all of the fiscal recovery objectives prescribed each and every year. In spite of this successful perennial process, the City has yet to wean itself from needing state aid.

Results of Prior Year’s Recovery Efforts – Revenue Side

During the past two fiscal years, the City of Paterson has modified most licenses and fees charged. Some of the increases in annual revenues were modest. Unfortunately, there were some decreases in annual revenues which were very substantial. The revenues of the Municipal Court and the Ambulance service fell off, netting a loss of \$1 million, or 6%, between SFY 2011 and SFY 2012. As a result, the City has reduced its revenue anticipated for SFY 2013. Another material loss of revenue is the UEZ funding for SFY 2013 of \$2.2 million. In addition, in SFY 2012 the City’s receipts from delinquent taxes were down \$2.5 million from the amount anticipated. This was due to very little

investor interest in acquiring these delinquent tax certificates. This affected the ability for the City to anticipate delinquent tax revenues on a collection rate similar to the one used for SFY 2012 resulting in a decline in the maximum anticipated amount of \$1.8 million for SFY 2013.

Expenditure Side

Two years ago, the City laid off and demoted personnel within the ranks of our Police Department. In SFY 2013, instead of seeing costs increase, we have a decrease in excess of \$1.4 million compared to SFY 2012. Most unfortunately is the very serious nature of the impact this reduction in force has had upon the quality of life issues in our City. On a positive note, we have been fortunate to partner with the Federal government in obtaining a grant to bring back 25 of the officers the City had let go almost two years ago, with very little impact on the City's municipal budget.

Almost every single Other Expense budget of each division operated within the City has remained flat or been decreased, where available. It should be noted that the City has been doing so for many years. One of the more material reductions is in our Unemployment costs, down from last year by \$1.2 million.

This year, as was done in the past two budget cycles, current outstanding debt payments will be refinanced. This is being done to reduce the impact of a potential increase of \$5 million in debt service payments in SFY 2013. Additionally during SFY 2013, the City will have increased debt service payments on emergency notes due to its financing of accrued sick/vacation payouts and tax appeal financing during SFY 2012.

This year our reserve for uncollected taxes has also increased by \$2,864,454, an increase of 47.4%. This is primarily due to a drop in our collection rate from 97.28% in SFY 2012 to 96.09% in SFY 2013. This can be attributed to two consecutive years of significant tax increases. Any further significant tax increases will continue to have an impact on the taxpayers' ability to pay.

Ratable Decline - Beyond Our Control

In CY 2012, the County Board of Taxation granted more than 7,000 reductions of current assessments. At the current time we are calculating the total value of these assessment reductions and potential loss of tax revenues. In CY 2011 there were 4,600 tax appeals at the county level and additional approved appeals at the State Tax Court. The effect for CY 2012 from these reductions amounted to a net loss of \$266 million of ratables and more than \$6.5 million of tax refunds. The additional tax burden on the average assessed residential value of \$350 thousand amounted to \$285. Using CY 2011 results as an indication, the effect from an excess of 2,000 more appeals awarded in CY 2012 will have a much larger loss of ratables and tax refund value which will have to be made up during SFY 2013 by the taxpayers of the City of Paterson.

Results of Prior Year's Recovery Efforts - Cause and Effect

In summary, there were positive achievements resulting from the cumulative efforts made by the City's Administration and Governing Body in changing certain policies and procedures which impacted the revenue streams as well as the costs of providing the local services.

The main thrust of the results of these cumulative efforts demonstrates and confirms, without a doubt, that the City of Paterson is a dire candidate for the continued state aid, currently known as Transitional Aid. For without it, the City is left with little hope of remaining a "going concern."

Fiscal Recovery Objectives

The City's objective of fiscal recovery can only be met if and when the two sides of the budget process align. That is, the revenue side is comprised of predominantly fixed items (amounts which are measurable and cannot be changed without statutory or other external approval processes), while the appropriation side is comprised of mostly static and variable items (amounts that are measurable and typically increasing and cannot be changed without statutory or other external approval processes).

Partners

We believe that in order to wean from this source of revenue - Transitional Aid, as a way to balance the annual budget, the City must find other revenue structures or sources that currently do not exist, or the City would make them available. To that end, there are other governmental partners which we expect to pursue relationships with in order to cultivate the required legislation or other means to creating new revenues, thereby obtaining fiscal recovery.

There are many overlapping services and many antiquated ways in which services are solicited and ultimately paid for. We continue to look at shared services with the County and other municipalities as a way in which cost reductions can be made.

Conclusion

Our recovery plan is a strategic one. It does, however, require an intense commitment from our presumed partners. To that end, we need to walk in step with the Division of Local Government Services as we identify the pieces of the plan for SFY 2013 and for several years beyond.

V-B. Alternate Eligibility - NOT APPLICABLE -

Demonstration of Revenue Loss/Substantial Cost Increase			
Complete Part 2 if eligibility was not met in Part 1. Show: (1) specific, extraordinary revenue losses, but not as the aggregate of many revenue line items; and (2) specific, extraordinary increases in appropriations, but not as the aggregate of many appropriation line items. Describe the item on the cell below each entry. If applicable, indicate in the description of the extraordinary increase in expenditure if the increase was the result of a policy decision made by the municipality (i.e. a back-loaded debt service schedule, deferred payment, costs associated with additional hires, etc.)			
Revenue or Appropriation	2011 Value	2012 Value	Amount of Loss/Increase
Description:	NOT APPLICABLE		
Description:			
Description:			
Description:			
Description:			
Description:			
Description:			

V-C. Actions to Reduce Future Need for Aid

Detail the steps the municipality is taking to reduce the need for aid in the future. Include details about long-term cost cutting and enhanced revenue plans, impact of new development, potential for grants to offset costs, and estimated short and long-term annual savings. Use additional pages if necessary. (Items included in a Transition Plan submitted by a current recipient need not be repeated here.)

1. Issue Executive Order to suspend overtime work and remuneration, and restrict and/or prohibit any non-essential spending without the express approval of the Mayor or his designee(s).
2. Negotiate with uniformed Public Safety personnel alternatives to provide budgetary savings such as voluntary furloughs and temporary freezes on wage increases.
3. Currently in 2nd half of the 1st year of a 4 year plan to phase in a 25% annual increases in the sewer fee thereby doubling the City's revenue stream in 4 years.
4. Revising the sewer user charges to contiguous municipalities and to non-profits that use the City's sewers for outflows, as well as identify potential new customers.
5. Negotiations on-going with all bargaining units to pursue freezing of wage increases or no increases.
6. Pursue debt service alternatives, such as grants and shared services along with restructuring the City's remaining outstanding debt to the maximum life allowed
7. New solid waste contract resulted in 3 year cost savings.
8. Seek shared services for capital projects of like-kinds.
9. Continuation of staff reductions through attrition and restructuring by shared services.
10. Review of general liability and workers compensation claims and related attorney fees to reduce costs and containment.
11. Review the services provided by each department with associated costs. Identify services to be eliminated, costs to be reduced or additional fees to be generated.
12. Monitor vacant buildings and compare to registration requirements and fees for these buildings.
13. Identify properties and tax certificates held by the City and formulate a plan to conduct in rem foreclosure sale and explore a possibility of conducting a bulk assignment sale.
14. An ordinance in which organizations participate in the cost of parades in the City.
15. An ordinance for permitting constables to assist in City policing.
16. Continuing effort to review revenue ordinances to impose adequate fees to provide service.

V-D. Discussion of Health Benefits**HEALTH INSURANCE COST SAVINGS AND CONTROL**

The City of Paterson is taking several steps to try to *minimize and control* the cost of health care for our employees and to *increase the contributions and subsidies* that will reduce these costs.

First, we are preparing an RFP for an Insurance Consultant/Broker. The Insurance Consultant will prepare bid specifications and solicit request for proposals from insurance markets which specialize in group insurance plans. In concert with the appropriate Administrative parties, they will evaluate bids and bidders, including administration, coverage, claim payment procedures, customer service, networks, reserve establishment policies, financial soundness, and identify the most cost-beneficial package from among the various bidders.

The next order of business will be solicitation for RFPs for the City's Prescription, Hospital/Medical and Dental plans. We will also explore, as we have done before, the possibility of switching to the State Health Benefits Plan to minimize costs.

To increase contributions, we are in the process of implementing State Law Chapter 78 which will increase the percentage of the cost of coverage paid by our employees. We have been working on this for months, meeting with all 1,500 employees of the City and developing Employee Benefit Election forms so that all employees will sign off that their Medical/Dental choices are correct and that we have the correct information for all of their dependents. Our anticipated start date is November 1st.

We are always looking for subsidies offered by the Federal Government. We will once again prepare annual applications for Retiree Drug Subsidies from the Center for Medicare and Medicaid (Medicare D). We are eligible for this subsidy since we provide prescription coverage to our "Medicare Eligible" retirees. We anticipate that amount to be at least what was received in FY 2012. Last year we applied to the Early Retirement Reinsurance Program (part of the Affordable Care Act) to get a subsidy for the early retirees (age 55-64) whom we cover for health insurance. The Federal Fund is currently out of money. If they refund or review funds previously distributed in error, we are eligible to receive reimbursement.

VI. Historical Fiscal Statistics

Item	2011	2012	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$1.4709		\$1.6658
Municipal Purposes tax levy	\$135,000,000		\$148,457,113
Municipal Open Space tax levy	\$0		\$0
Total general appropriations	\$236,992,514	\$235,030,223	\$233,204,791

2. Cash Status Information			
% Of current taxes collected	96.88%	95.16%	%
% Used in computation of reserve	98.35%	97.28%	96.09%
Reserve for uncollected taxes	\$3,619,733	\$6,038,137	\$8,902,591
Total year end cash surplus	\$0		
Total non-cash surplus	\$227,201		
Year end deferred charges	\$1,687,751	\$3,726,675	

3. Assessment Data			
Assessed value (as of 7/1)	\$9,295,023,415	\$9,178,236,215	\$8,911,890,115
Average Residential Assessment	\$354,000	\$351,000	\$341,000
Number of tax appeals granted	4,678	7,622	
Amount budgeted for tax appeals	\$0	\$0	\$0
Refunding bonds for tax appeals	\$3,250,000	\$3,300,000	\$ To be determined

4. Full time Staffing Levels			
Uniformed Police - Staff Number	363	363	389
Total S&W Expenditures	\$43,512,307	\$41,450,252	\$39,726,245
Uniformed Fire - Staff Number	304	297	330
Total S&W Expenditures	\$29,919,177	\$29,286,916	\$30,356,710
All Other Employees - Staff Number	856	765	1,033
Total S&W Expenditures	\$29,569,781	\$26,787,529	\$34,334,443

5. Impact of Proposed Tax Levy			
Current Year Taxable Value			Amount
Introduced Tax Levy			8,911,890,115
Proposed Municipal Tax Rate	1.6658	Average Res. Value (#4 above)	148,457,113
Current Year Taxes on Average Residential Value (#4 above)			341,000
Prior Year Taxes on Average Residential Value (based on avg. assess.351,000)			5,680
Proposed Increase in average residential taxes			5,163
			517

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment

	2007
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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 | |
| 2. Amount of appropriation cap bank available going into this year | | 3.5% |
| 3. Is the Application Year budget at (appropriation) cap?
If NO, amount of remaining balance | X | |
| 4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap?
If YES, amount: | | X |
| | | \$0 |

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Municipal Debt Service	6,724,586	7,397,858	673,272
PERS/PFRS	19,875,554	20,785,000	909,446
Insurance	43,204,546	45,629,554	2,425,008
Fire Personnel S&W	30,003,759	30,980,538	976,779
DPW S&W	9,667,158	10,328,111	660,953

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

Department/Agency	Position	Number	Dollar Amount
Comm. Development	Director of Economic Development	1	105,000

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	145,482,480	65,182,464	28,000,000	102,711,558	135,953,386
Second year	151,301,779	67,082,464	26,000,000	104,765,789	139,618,454
Third year	157,353,850	69,027,855	24,000,000	106,861,105	143,520,600

VIII. Financial Practices

A. Expenditure controls and practices:

Question	Yes	No
1. Is an encumbrance system used for the current fund?	X	
2. Is an encumbrance system used for other funds?	X	
3. Is a general ledger maintained for the current fund?	X	
4. Is a general ledger maintained for other funds?	X	
5. Are financial activities largely automated?	X	
6. Does the municipality operate the general public assistance program?		X
7. Are expenditures controlled centrally (Yes) or de-centrally by dept. (No)?	X	
8. At any point during the year are expenditures routinely frozen?	X	
9. Has the municipality adopted a cash management plan?	X	
10. Have all negative findings in the prior year's audit report been corrected? If No, list those uncorrected as an appendix.	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		X	

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

Question	Police	Fire	Other Contract	Non-Contract
Year of last salary increase	FY2012	FY2010	FY2011	FY2011
Average percentage increase	2%	3.75%	3.5 & 4%	4%
Last contract settlement date	3/11	7/09	8/08	
Contract expiration date	6/30/2012	7/31/2010	6/30/2011	

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

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)				
In past two years, furloughs produced insignificant cost savings and created major productivity interruptions.				
Wage Freezes (describe below)				
The City will conduct all labor contract negotiations with the intention to freeze any salary components.				
Layoffs (describe below)				

There are no current layoff plans under consideration other than vacating nonessential positions which will occur through attrition.

D. Tax Enforcement Practices:

	Yes	No
Question		
1. Does the municipality use the accelerated tax sale program?	X	
2. When was the last foreclosure action taken or tax assignment sale held:		Date: 5/29/12
3. On what dates were tax delinquency notices sent out in 2011:		Date: 10/8, 12/15, 6/4/12
4. Date of last tax sale:		Date: 6/25/12

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.

	Yes	No
Service		
Sworn police or firefighters are used to handle emergency service call-taking and dispatch (in lieu of civilians)		X *
*The division is staffed with both uniform and civilian employees. Currently a plan to fully civilianize this division is being implemented		
The municipality provides rear-yard solid waste collection through the budget		X

F. Other Financial Practices

1. Amount of interest on investment earned in:

2011	\$49,306	2012:	\$24,924	Anticipated Application Year:	\$24,900
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2. List the instruments in which idle funds are invested:

Money Market Accounts	
NJ Cash Management Fund	

3. What was the average return on investments during SFY 2012?

4. When was the last time fee schedules were reviewed and updated?

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

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

De minimis	.1483%
SFY 2012	
Fred Tomkins, RMA of Donohue, Gironda & Doria	
2002 (Note: the City conducts an annual RFP process for selection auditor)	

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
Superior Officers Association (SOA)	6/30/2012	Preliminary discussions
Police Benevolent Association (PBA)	6/30/2012	Preliminary discussions
Fire Chief Contract	Expired	Preliminary discussions
Fire Battalion Chiefs	2010	Preliminary discussions
Fire Captains	2010	Preliminary discussions
Deputy Fire Chiefs	2010	Preliminary discussions
Paterson Firefighters Association	2010	Preliminary discussions
White Collar Supervisors Local 3474A	6/30/2011	Preliminary discussions
DPW Blue Supervisors Local 3474	6/30/2011	Preliminary discussions
DPW Blue Local 2272	6/30/2011	Preliminary discussions
Free Public Library Local 3474B	6/30/2011	Preliminary discussions
Free Public Library Local 2903	6/30/2011	Preliminary discussions
White Collar Police Civilians, Municipal Court Employees Local 3724	6/30/2011	Preliminary discussions
Division of Health Employees' Assoc. 430	6/30/2011	Preliminary discussions
Police Motor Pool Local 76B	6/30/2011	Preliminary discussions
Crossing Guards Local 74 (SEIU)	6/30/2011	Preliminary discussions
Police Chief Contract	TBD	Preliminary discussions

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
Solid Waste			
Collection	3,106,804	2,708,915	New contract
Disposal	5,876,711	4,724,184	New contract

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; i.e., recreation fees, utility fees, land use fees, construction, housing, and fire code.

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	2,249,675	The City falls into a below-average socioeconomic profile.
Sewer Fees	X	Partially	4,000,000	An ordinance has been approved which phases in rate increase over a 4 year period to offset the budget shortfall.
Water Fees	<input type="checkbox"/>			
Swimming Pool	X	No	Included above in recreation programs	The City falls into a below-average socioeconomic profile.
Uniform Construction Code	X	Yes		
Uniform Fire Code	X	Yes		
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input type="checkbox"/>			
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			

Paterson is the provider of services for the following: (continued)	Hawthorne, Haledon, North Haledon, Woodland Park, Totowa & Prospect Park	63,059	2011
Public Health Administration			
Health Education			Combined Total
Nursing Supervision			
Health Services Officer			
Flu Clinics			
Recreational Bathing Sanitary Inspector			
Campgrounds Sanitary Inspector			
Youth Camps Sanitary Inspector			
Occupational Health Services Inspector			
Public Health Nuisance Sanitary Inspector			
Control of Acute Communicable Disease- Public Health Nurse Provides Immunizations.			
Rabies			
Tuberculosis Control – Public Health Nurse			
Veneral Disease Control – Public Health Center, Social Hygiene.			
Infants & Preschool Children – Public Health Nurse			
Lead Poisoning Control – Public Health Nurse			
Lead Poisoning Control – Public Health Nurse			
Improved Pregnancy Outcome – Public Health Nurse			

Section XI – Impact of Limited or No Aid Award

Describe in complete detail the impact if aid is not granted for the current fiscal year; this priority setting requires that the municipality will maintain a minimum level of essential services. List the appropriate category of impact if the aid is not received. Rank each item from both lists as to the order in which elimination will take place. If across the board cuts will be made, indicate under service. For rank order purposes, consider the two sections as one list. The cuts outlined here are one that the municipality is committing to make if they do not receive aid.

Rank Order	Department	# of Layoffs	Effective Date	2011 Full Time Staffing	2012 Full Time Staffing	\$ Amount to be Saved
	Statory	152	4/29/2013	234	152	595,333
	Community Development	58	4/29/2013	45	45	291,236
	Human Services	85	4/29/2013	91	85	538,016
	Legal	20	4/29/2013	20	20	158,943
	Public Works	303	4/29/2013	305	302	1,588,940
	Administration & Finance	90	4/29/2013	92	89	643,601
	General Government	39	4/29/2013	40	39	246,942
	Police & Fire	1,006	4/29/2013	1,158	1,004	11,773,951
	Total	1,753		1,985	1,736	15,836,962

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

Rank Order	Service	Cost Savings	Impact on Services
	Statutory	166,095	Other Expense
	Community Development	42,347	Other Expense
	Human Services	174,255	Health, nursing
	Legal	23,702	Legal
	Public Works	906,443	Parks, recreation, auto maintenance, traffic, water & sewer, public buildings
	Administrative & Finance	212,111	Other Expense
	General Government	9,680,376	Health insurance, liability, worker compensation insurance, elections
	Police & Fire	628,883	Other Expense
	Unclassified	2,911,813	Solid waste, utilities, gasoline
	Total	14,746,025	

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 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 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 2012 MOU and is moving in good faith to correct those areas of noncompliance that have been identified, including, but not limited to, the following: establishment of a pay to play ordinance; termination of longevity pay for officers and employees not contractually entitled to longevity pay; termination of health benefits for part time officers and employees; receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor: [Signature] Date: 10/5/12
 Chief Financial Officer: [Signature] Date: 10/5/12
 Chief Administrative Officer: [Signature] Date: 10/5/12

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: 10/5/12
 Chief Financial Officer: [Signature] Date: 10/5/12

XV. CERTIFICATION OF APPLICATION FOR TRANSITIONAL AID

The undersigned acknowledges the foregoing requirements with which the municipality must comply in order to receive aid as outlined above. In addition, included with this application is a copy (printed or electronic) of the budget documentation that supports the budget calculation that was provided to the governing body.

Mayor: _____

Date: 10/5/12

Chief Financial Officer: _____

Date: 10/5/12

Chief Administrative Officer: _____

Date: 10/6/12



City Hall
155 Market Street
Paterson, New Jersey 07505
Phone: (973) 321-1600
Fax: (973) 321-1555

Jeffery Jones
Mayor

October 5, 2012

Thomas Neff, Director
Division of Local Government Services
101 South Broad Street
Trenton, NJ 08625

Dear Director Neff:

The past year has been an extremely challenging process for the City of Paterson. A few of our efforts which commenced in the prior fiscal cycle have multi-year implementations, and we will continue to realize the benefits in the SFY 2013. These include a 4-year phase in of an incremental sewer fee that will assist the City in aligning with the matching principle, thereby providing a better revenue stream to offset the operating and capital costs of the sewer operation. The terms of our "MOU" have been upheld and I wish to thank you for the assistance your team has provided to us in order to ensure our compliance.

As we begin this year's Transitional Aid process, we are still faced with a shortage of \$28.5 million. However, we must first implement many changes, between today and the budget's adoption, in order to reduce our appropriations and/or increase other general revenues, totaling about \$8.5 million.

To wit, we were successful in awarding a multi-year solid waste removal contract that allows for an initial year savings of \$1.7 million which continues throughout the entire contract. Many of our employees that were laid off during SFY 2011 have been re-employed elsewhere. We were able to liquidate most of our state unemployment liability during last year saving another \$1.2 million in costs in this budget. Additionally, there were significant savings of \$1.5 million in our police department due to staff attrition. Finally, there were some emergency appropriations in the last budget cycle that are not haunting us this year: the storm costs of \$1.3 million for Hurricane Irene and the \$1.2 million in insurance costs overruns from the prior year. With these few items, the City is saving \$6.9 million in appropriations at the start of SFY 2013. Unfortunately, the City did carry a \$3.7 million deficit from its SFY 2012 operations into the current fiscal year offsetting half of any savings realized.

Unfortunately, the City does not have a strong economy. As you know, many of our residents fall below the NJ poverty level and many others remain either unemployed or underemployed. These conditions definitely have a direct cause and effect on the City's revenues. In SFY 2012, we realized almost \$3 million less from our Court and delinquent tax collections. We also received our final allotment from the State for the UEZ funding in SFY 2012 of \$2.2 million. With just these few items, the City is losing \$5.2 million in revenues at the start of SFY 2013.

We work very hard and tirelessly at keeping the City's fiscal posture in balance. We have contractual obligations which still create annual operating increases. The City collective bargaining agreements are in the negotiation stage with the goal of achieving savings. However, we continue to need assistance. What follows below is the bottom line need after we have combined all of the cumulative efforts and start this process once again.

Composition of SFY 2013 Budget Deficit

Anticipated SFY 2013 Transition Aid	\$20,000,000.00
Current deficit in SFY 2013 budget, to be Introduced and Approved <i>(Note: based upon \$1 million less in TA from SFY 2012 and a 2% Proposed Increase in the Municipal Tax levy)</i>	<u>\$13,457,112.76</u>
Total SFY 2013 Budget Deficit -- Before budget reduction plans	\$33,457,112.76
Required Reduction from the SFY 2013 Tax Levy (utilizing the tax levy workbook maximum)	<u>(\$ 4,886,458.00)</u>
Total Actual SFY 2013 Budget Deficit -- After Increasing levy to the SFY 2013 levy maximum.	<u>\$28,570,654.76</u>

As we continue the process of setting a tax levy (to the maximum allowed) and adopting an annual budget for fiscal year 2013, I must point out that if the City receives Transitional Aid of \$20,000,000 as included in the introduced budget, it will still leave a large budgetary gap of \$8,570,000. To that end, we are requesting consideration for an increase to our Transitional Aid allocation to help offset this gap.

Additionally, beyond the revenue shortfall as outlined above, consideration should be given to the uncontrollable loss of ratables during CY 2012. As previously discussed, the City has entertained more than 7,000 tax appeals that were granted by the county board of taxation. The burden for these lost ratable revenue will fall back on the remaining ratable base and ultimately the tax payers of the City.

I trust that the Division will provide the continued forum of meeting for discussion on finding joint solutions to enable the City of Paterson the opportunity to continue as a going concern. We cannot find the solutions alone, and rely upon our Governor and Legislature of this state to take notice of our dire situation. We welcome the opportunity to have all of our 'partners' come to this great City and offer any advice they may have available.

Very truly,


Jeffrey Jones, Mayor, City of Paterson