

CITY  
OF NEWARK



Ras J. Baraka  
Mayor

Danielle A. Smith  
Acting Finance Director/CFO

Department of Finance

August 8, 2014

Thomas Neff  
Director of Division of Local Government Services  
Department of Community Affairs  
101 South Broad Street  
Trenton, New Jersey 08625-0803

Dear Director Neff,

As per our previous conversations, we are pleased to submit the City of Newark's CY2014 application for \$31 million in Transitional Aid to the Department of Community Affairs, Division of Local Government Services.

Moreover, as was explained to Mr. Ponella by representatives of the City yesterday morning, we anticipate that there might be additional opportunity to reduce reliance on Transitional Aid, but we further believe that this must be done in consultation with you and the Division. There remain a few items for which we are still waiting for backup on, along with the amended AFS—the circumstances for which your Office has been made aware of.

The City is eager to schedule a telephone conference call or a meeting with you and your team as soon as possible to review the application and some of the assumptions therein.

Sincerely,

A handwritten signature in cursive script that reads "Danielle A. Smith".

Danielle A. Smith  
Acting Finance Director/CFO

# Resolution of the City of Newark, N.J.

NO. 7R1-M(A.S.)

Date of Adoption AUG 6 2014

## Title Page

**Dept/ Agency:** Administration

**Action:** ( ) Ratifying (X) Authorizing ( ) Amending

**Type of Service:** RESOLUTION AUTHORIZING THE MAYOR AND/OR HIS DESIGNEE, THE ASSISTANT BUSINESS ADMINISTRATOR TO SUBMIT THE 2014 TRANSITIONAL AID APPLICATION AND AGREE TO IMMEDIATE STATE OVERSIGHT AND EXECUTION OF AN MEMORANDUM OF UNDERSTANDING (MOU) AS A CONDITION OF TRANSITIONAL AID TO LOCALITIES (TA) GRANT AWARD FOR 2014 AND ACCEPTING SUPERVISION, IF NECESSARY, PURSUANT TO LAW.

**Purpose:** CY 2014 TRANSITIONAL AID APPLICATION

**Entity Name:** State of New Jersey Department of Community Affairs

**Contract Basis:** ( ) Bid ( ) State Vendor ( ) Prof. Ser. ( ) EUS

( ) Fair & Open ( ) No Reportable Contributions ( ) RFP ( ) RFQ

( ) Private Sale ( ) Grant ( ) Sub-recipient (X) n/a

**Additional Information:**

Approved as to Form and Legality on Basis of Facts Set Forth

Factual contents certified by

Karen Burch  
Corporation Counsel

\_\_\_\_\_ Title

Council Member \_\_\_\_\_ presents the following Resolution:

# Resolution of the City of Newark, N.J.

NO. 7R1-M(A.S.)

Date of Adoption AUG 6 2014

Approved as to Form and Legality on Basis of Facts Set Forth

Harvey Duvall  
Corporation Counsel

Michael R. Greene  
Factual contents certified by  
Michael R. Greene  
Title

Council Member Council of the Whole presents the following Resolution:

**WHEREAS**, the City of Newark is facing a serious fiscal emergency, requiring the submission of an application for CY 2014 Transitional Aid to the State of New Jersey, Department of Community Affairs; and

**WHEREAS**, the State Of New Jersey, Department of Community Affairs, requires a Resolution from the Governing Body authorizing the submission of the application and agreeing to certain conditions.

**NOW, THEREFORE, BE IT RESOLVED BY THE MUNICIPAL COUNCIL OF THE CITY OF NEWARK, THAT:**

1. The Municipal Council of the City of Newark hereby authorizes the Mayor and/or his designee, the Assistant Business Administrator to submit the CY2014 Transitional Aid Application to the State of New Jersey, Department of Community Affairs and to take such other actions as are necessary to effectuate the foregoing, including the execution of a Memorandum of Understanding (MOU) as a condition of Transitional Aid (TA) and accepting State supervision, if necessary.
2. The Municipal Council of the City of Newark further acknowledges that upon submission of the application, State oversight shall begin immediately and will be terminated only upon one of the following conditions:
  - i. The application for aid is withdrawn
  - ii. Notice is received that no award of funds will be provided in 2014; or
  - iii. Consistent with the terms of any MOU required to be executed as a condition of grant award.
3. A copy of the fully executed MOU shall be filed in the Office of the City Clerk and made available for public inspection.
4. This resolution shall take effect immediately.

7R1-M(A.S.)

2

AUG 6 2014

**STATEMENT**

This resolution authorizes the submission of an application for CY2014 Transitional Aid to the State of New Jersey, Department of Community Affairs and acknowledges immediate State oversight and authorizes the execution of an MOU as a condition of any Transitional Aid (TA) grant award for 2014 and accepting supervision, if necessary, in accordance with law.

CERTIFIED TO BY ME THIS  
AUG - 7 2014

Do not use space below this line

RECORD OF COUNCIL VOTE ON FINAL PASSAGE														
Council Member	AYE	NAY	NV	AB	Council Member	AYE	NAY	NV	AB	Council Member	AYE	NAY	NV	AB
Amador	✓				Chaneyfield Jenkins	✓				Quintana	✓			
Gonzalez	✓				McCallum, Jr.	✓				Ramos, Jr.	✓			
James	✓				Osborne	✓				Crump, President	✓			

✓ Indicates Vote

AB - Absent

NV - Not Voting

Adopted at a meeting of the Municipal Council of the City of Newark, N.J.,

AUG 6 2014

*Michael C. Crump*

*John B. ...*

President of the Council

# Transitional Aid Application for Calendar Year 2014

## Division of Local Government Services

### Department of Community Affairs

**General Instructions:** This application must be submitted in its entirety by **March 14, 2014** for funding consideration under this program. Information contained in the application is subject to independent verification by DLGS. Refer to Local Finance Notice 2014-2 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7.

<b>Name of Municipality:</b>		Newark		<b>County:</b>	Essex
<b>Contact Person:</b>		Danielle Smith		<b>Title:</b>	CFO
<b>Phone:</b>	(973) 733-6415	<b>Fax:</b>	(973) 424-1985	<b>E-mail:</b>	smithd@ci.newark.nj.us

#### I. Aid History

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

CY 2013	CY 2012	CY 2011
\$ -0-	\$ 10,000,000	\$ 32,000,000

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

<b>Amount of aid requested for the Application Year:</b>	\$ 31,000,000
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*If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2014-2.*

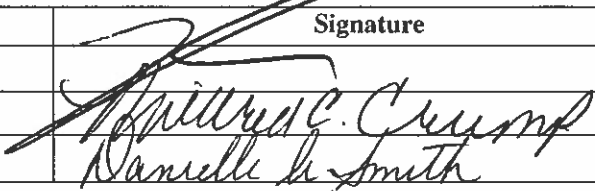
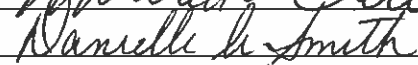
#### III. Submission Requirements

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
2013 Annual Financial Statement	4/15/2014
2012 Annual Audit	4/23/2014
2012 Corrective Action Plan	Pending
Application Year Introduced Budget	7/17/2014
Budget Documentation Submitted to Governing Body	7/21/2014

#### 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 within application, the municipality acknowledges the law provides that the Director's decision regarding aid awards is final and not subject to appeal.

Official	Signature	Date
Mayor/Chief Executive Officer		
Governing Body Presiding Officer		
Chief Financial Officer		8/7/14

**V-A. Explanation of Need for Transitional Aid**

Explain in narrative form the circumstances requiring the need for Transitional Aid. 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.

For the better part of the past decade, the City of Newark (“the City”) has been deeply engaged in the long and difficult process of fundamentally realigning its budget and broader financial position to one that is sustainable without the regular extraordinary intervention of the State of New Jersey (“the State”) or an over-reliance on non-recurring revenues. In the past year, however, the City experienced and precipitated a number of challenges that had a negative impact on its revenue cycle and led to an increase in costs beyond what had been previously accounted for.

Earlier in the year, Newark’s budget deficit was placed at \$93.5 million by the AFS. After a comprehensive review of the City’s budget and finances, we have calculated approximately \$31 million to be the most accurate representation of the current budget deficit that must be closed by Transitional Aid. Moreover, it must be added that several of the City’s budget proposals to reduce the deficit are contingent upon its ability to employ mechanisms that can only be utilized by accessing the Local Government Supervision Act (N.J.S.A.52:27BB-54 et seq). Accordingly, and as is specified by the Division of Local Government Services, the City will deliver a request to enter into supervision contemporaneously with this Application along with a resolution from the City of Newark Municipal Council.

We believe that Newark’s progress in controlling its finances in the past decade has been substantial and that the true structural gap can be closed with a concerted effort in a few key areas over the course of the full supervision period. The City’s personnel compliment has been reduced significantly since a modern high of 4,161 in 2007 to a total payroll of 3,011 non-grant supported municipal employees as of August 2014. Over reliance on substantial non-recurring revenues—e.g., additional Port Authority payments averaging \$60 million between 2006 and 2010—has also been diminished. True one-time revenues account for about 4 percent of total municipal revenues. Three years of an Accelerated Tax Sale have helped significantly improve the City’s collections and thereby lowered the Reserve for Uncollected Taxes, which averaged a budgeted \$32 million between 2006 and 2010.

However, aberrations in the City’s management practices and operations, as well as additional financial pressures from traditional areas such as healthcare and debt service, have stymied the City’s progress and have thus put the City in a position whereby it must enter into supervision and receive Transitional Aid in this budget year. The City fully recognizes that the State has already played an indispensable role in the City’s financial stabilization. The City also fully recognizes the necessity of entering into State supervision in order to carry out several of the essential recovery measures. In explaining the City’s need for Transitional Aid, it is vital to separate out which additional costs and which additional revenue losses may be considered extraordinary—i.e., the loss of non-recurring revenues and the addition of appropriations that are not or should not be features of the budget—and which may be considered structural.

With respect to the first category, for example, the loss of \$11 million in revenue from the Hess Settlement is extraordinary and, accordingly, a destabilizing event.

More importantly, however, are the additional costs that *should not* be features of the City's budget, which, in this case, primarily refers to the markedly increased Reserve for Uncollected Taxes ("RUT") and the need to borrow for the prior year's operational deficit. The presence of this additional cost does not reflect a structural reality or even the consequence of an extraordinary event, rather it is the result of the significantly lower 2013 collection rate due to the City's failure to hold an Accelerated Tax Sale ("ATS"), as it has since 2011.<sup>1</sup> The sudden failure to conduct the ATS was a financial deterrent to the City and this should not be repeated as long as the City operates under the expectation that an ATS will be held. Although this is a prominent example, it reflects an immanent failure to carry out best management practices—a behavior that the City will correct in the coming year.

Beyond the more extraordinary pressures presented to the budget that underlie the City's need for Transitional Aid, the magnitude of certain structural pressures, when coupled with the extraordinary difficulties, limit the budget's stability. Healthcare and debt service, for example, both known and structural expenses, increased by \$ 5,325,245 between 2013 and 2014. On the revenue side, Fox Lance payments (abatements) and payroll tax revenues *decreased* by \$8,985,774.

Were the City not to seek Transitional Aid, the City would necessarily face another large-scale Reduction in Force, which it cannot presently afford—especially with respect to the City's vital public safety functions. In order to achieve the necessary savings, the City would have to cut the salaries of personnel in the Departments of Administration, Child and Family Well-Being, Economic and Housing Development, Engineering, Finance, and Law to zero. A RIF spread evenly across Departments, taking \$68,000 as an average salary (non-public safety average is \$53,000), would represent a greater than 400-employee reduction, or 14 percent.

It must be noted that preserving and enhancing public safety services is a paramount objective of the City and a reduction in public safety personnel should only be considered as an absolute last resort. Thus, some yearly increase in appropriations should be expected, as contract increases take affect and the City recruits members of graduating Academy classes to replace retiring personnel and restore public safety personnel levels.

The following is not a complete list, but accounts for the majority of the major changes after the City's adjustments to address the initial \$93.5 million deficit projection:

1. Increase in "structural" costs"

a. \$13 million increase in departmental spending, led by:

- i. Police: \$4.7 million
- ii. Fire: \$2.8 million
- iii. Clerk: \$2.2 million (this significant increase may be accounted for by the need to fund elections)

b. \$4.2 million increase in Personnel Services

- i. Direct Access Healthcare: \$3.8 million

<sup>1</sup> That being said, some of the fluctuations in the tax levy and the RUT may be explained by the increase is a result of the loss of \$543,910,134 in ratables.



- ii. Medicare Reimbursement: \$3 million
- iii. Worker's Compensation \$1 million
- c. Debt service: \$1.1 million
- 2. Extraordinary Costs
  - a. Prior year \$30.1 million deficit in Operations (spread over 10 years): \$3.1 million
- 3. Increase in the Reserve for Uncollected Taxes ("RUT")
  - a. \$3.8 million<sup>2</sup>
- 4. Loss of Significant Non-Recurring Revenues
  - a. Surplus. \$13 million, this was not a "true" surplus, but essentially consisted of canceled appropriations
  - b. Hess Settlement: \$11 million
- 5. Under Collection or Under Performance of Revenues
  - a. Fox Lance payments: \$6 million
  - b. Non-property taxes (primarily payroll tax): \$3.75 million
  - c. Host municipality fee: \$2.6 million
  - d. Interest Income: \$2 million (represents loss of delinquent tax interest)

<sup>2</sup> Should the Reserve for Uncollected Taxes not be permitted to be calculated according to a three-year collection average representative of recent years in which the City has conducted an ATS (95%), the RUT would have been as high as \$32 million, or a \$16.4 million increase over 2013.



**V-B. Demonstration of Revenue Loss/Substantial Cost Increase**

Show: (1) specific, extraordinary revenue losses, but not as the aggregate of many revenue line items; and (2) specific, extraordinary increases in appropriations, but not as the aggregate of many appropriation line items. Describe the item on the cell below each entry. If applicable, indicate in the description of the extraordinary increase in expenditure if the increase was the result of a policy decision made by the municipality (i.e. a back-loaded debt service schedule, deferred payment, costs associated with additional hires, etc.)

Revenue or Appropriation	2013 Value	2014 Value	Amount of Loss/Increase
Personnel Services	76,567,273	80,781,280	4,214,007
<b>Description:</b>	Health Costs Increase		
Debt Service	41,068,116	44,379,149	3,311,033
<b>Description:</b>	Due to Debt Restructuring		
Surplus	12,904,747.74	-0-	(12,904,747.74)
<b>Description:</b>	Due to Deficit in Operations		
Payroll Tax	44,900,000	41,892,000	(3,008,000)
<b>Description:</b>	Under Collection of Revenue		
Parking Lot Receipts	21,600,000	20,669,184	(930,816)
<b>Description:</b>	Under Collection of Revenue		
Property Taxes	188,803,048	196,361,858	7,558,810
<b>Description:</b>	Amount to be raised by taxation (local)		
Interest Income	6,150,000	4,171,016	(1,978,984)
<b>Description:</b>	Based on Delinquent Taxes		
Ticket Tax and Facilities Fee	850,000	1,700,000	850,000

**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.)

In the broadest of terms, the City will seek to reduce its need for future Transitional Aid by implementing a more substantial command and control structure across City management-functions and, moreover, by conducting a thorough internal audit of all City departments, contracts, funds, and related entities to determine where costs are too high or revenues are too low. The City seeks to define itself according to a higher standard of accountability and by a willingness to only accept management best practices from each department and each employee.

Achieving better annual collections on both the City's portion of property and non-property tax revenues will be a paramount feature of the City's strategy to reduce its need for future Aid as the potential revenue losses in this area are, taken together, the most substantial the City faces. Of primary importance is conducting a timely Accelerated Tax Sale, which the City will hold and continue to hold. As discussed above, the City's failure to hold the sale resulted in both a reduction of the collection rate and a corresponding increase in the Reserve for Uncollected Taxes; failing to hold the sale also has cash implications. Adjusting for the City's lower assessed valuation, too, must be completed in the budget so there is no repeat in last year's discrepancy.

The City will be under a hiring freeze for the Aid period and will seek to harvest attrition when appropriate. However, essential personnel, with a focus on public safety and finance functions, will need to be replaced. The requirements for taking on additional employees, however, will be significantly increased and will necessarily be carefully reviewed. Though the procurement process itself will be subject to an intensive streamlining effort, the City must nonetheless carefully assess the quality of the contract and whether cost savings could be achieved by any mechanism, whether it be in-housing the service or issuing new Requests for Proposals.

Important steps are and will be taken that aim to affect change in the daily operations of the City and the overall culture of City employees. Some key early efforts are the updated policies on City car and cellphone use, which, beyond the budget, have a truly significant impact on how the City functions at a fundamental level. Savings along these lines will be pursued whenever possible and, through various auditing mechanisms, the City will be able to identify the opportunities with the greatest return on investment, both financially and operationally speaking.

1. Additional Recurring Revenues: Car Rental Tax: + \$8 million
  - a. Based on audited revenue numbers, the City expects that it can achieve this amount of revenue on a recurring basis given historic performance.
2. Additional Semi-Regular Revenues: Sale of Foreclosed Property: +\$5 million
  - a. Given the extent and quality of the City's foreclosed properties, it can expect to achieve \$5 million in additional revenues next year and going forward for the next several years. Supporting documentation is attached.

### 3. Improving Revenue Collections

#### a. Fox Lance payments: +\$6 million

- i. Last year, the City failed to receive the full allotment of its Fox Lance payments. Such payments are subject to preexisting agreements and should not be under collected. The City will implement better management practices around this function by carefully reviewing all payments, paying entities, and their payment schedules in order to achieve the full revenues owed in this capacity.

#### b. Payroll Tax: + \$5 million

- i. Working from government aggregate payroll data, the City *could* collect approximately \$51 million in payroll taxes given the size of the *taxable* payroll (removing tax exempt entities). The City's payroll tax this year was under collected by \$3 million from \$44.9 million, which represents the height of collections in recent years. Approaching such a collection would be achievable if the City were to fully enforce its payroll tax collections and, moreover, if it were able to receive a fuller compliment of information regarding who is required to pay the tax. To that end, the City would seek to increase the number of personnel operationalizing the collection of non-property taxes as the City believes the return on investment could be substantial.

#### c. Parking Tax: + \$2 million

- i. The parking tax largely operates as an "honor tax" (it is self-reporting) and requires fuller enforcement mechanisms to be put in place. While the City believes that it should seek a Request for Qualifications for a subject matter expert to determine improvements, basic adjustments, such as developing a comprehensive parking inventory and monitoring ingress and egress into lots should be immediately implemented. In addition, the parking agreements between businesses and other institutions must be reviewed and, perhaps, amended in order to capture additional revenue.

#### d. Municipal Court: + \$2 million

- i. Collections have fallen significantly since their high in 2010. Full enforcement is required and simple operations, such as following proper notification procedures, is imperative. For example, many fines that would be due to the City are being dismissed by the Judge because of a failure to properly notify the defendant. These and other operational lapses must be addressed and the City plans to immediately meet with the Municipal Court, the Police Department, and representatives of the Essex County Court to discuss strategies to return the City's municipal court revenues to 2010 levels.

#### e. Increased tax levy: + \$4 million

- i. Though the precise number will be the subject to the amount determined by the levy cap calculation, the City can expect to increase its portion of the tax levy by at least \$4 million.

#### 4. Reduction in Departmental Spend

##### a. Procurement: - \$8 million

- i. With procurement spending of roughly \$8 million, this represents a concentrated 10 percent reduction in spend. The City will conduct a throughout review of existing contracts and eliminate those contracts which may be more competitively offered by another entity or in-housed.

#### 5. Reduction in Unclassified Spending

##### a. Healthcare Spend: - \$10 million (has the effect of keeping growth flat)

- i. Significant savings in the City's overall healthcare spend are achievable, but the precise route to these savings remains to be precisely outlined. To that end, the City will—either internally or via the issuance of a Request for Qualifications for a Subject Matter Expert—seek to determine which macro-path forward may achieve the greatest savings for the City and, at the same time, not unduly violate the terms of existing contracts (pending contract renegotiation and the application of pertinent legislation); namely, this means assessing available savings present in the current plan, a new plan, or entrance into the State Health Benefits Plan.

##### b. Worker's Compensation -\$1 million

- i. The City will make better use of enforcement and data collection mechanisms—e.g., CitiStat—to drive down worker's compensation claims.

***V-D. Discussion of Health Benefits***

Skip this section if using the State Health Benefits Program (SHBP). If not using SHBP, explain why the health benefit plan being used is cheaper or other reasons that may exist for failing to move into SHBP.

Currently, the City is fully insured. Our carrier is Horizon Blue Cross Blue Shield of NJ.

The benefit levels are different than the offerings of the State Health Benefits Program (SHBP), i.e. the City offers the traditional plan, which is not offered by the SHBP.

The City provides a higher level of benefits and would have to overcome the language in our collective bargaining agreements, specifically the "equal to or better than" provision.

Our brokers have prepared the analysis of the City's options between the fully insured, self-insured, and SHBP model and the fully insured option was cheaper than the self-insured and SHBP options.

As was indicated in section V-C, action will be taken to determine if the City could seek to achieve cost savings under any possible healthcare plan scenario.

## VI. Historical Fiscal Statistics

Item	2012	2013	Introduced Application Year
<b>1. Property Tax/Budget Information</b>			
Municipal tax rate	\$1.649	\$1.455	\$1.579
Municipal Purposes tax levy	\$191,328,675	\$ 199,296,173.01	\$206,322,918.85
Municipal Open Space tax levy	\$ -0-	\$ -0-	\$ -0-
Total general appropriations	\$ 600,541,136.63	\$ 623,794,009.76	\$ 583,736,462.00
<b>2. Cash Status Information</b>			
<i>% Of current taxes collected</i>	95.99%	89.23%	%
<i>% Used in computation of reserve</i>	96.99%	92.41%	95.00%
<i>Reserve for uncollected taxes</i>	\$15,150,000	\$15,656,000	\$ 19,461,883.85
<i>Total year end cash surplus</i>	\$12,959,747.74	\$11,411,387.66	
<i>Total non-cash surplus</i>	\$-0-	\$-0-	
<i>Year end deferred charges</i>	\$13,700,000	\$10,200,000	
<b>3. Assessment Data</b>			
<i>Assessed value (as of 7/1)</i>	\$10,871,953,866	\$12,979,522,245	\$12,435,612,111
<i>Average Residential Assessment</i>	\$175,000	\$172,125	\$172,125
<i>Number of tax appeals granted</i>	1079	1498	
<i>Amount budgeted for tax appeals</i>	\$2,000,000	\$2,000,000	\$2,000,000
<i>Refunding bonds for tax appeals</i>	\$0	\$0	Amount TBD
<b>4. Full time Staffing Levels</b>			
Uniformed Police - Staff Number	1103	1084	1137
Total S&W Expenditures	\$125,284,224	\$124,379,621	\$128,447,995
Uniformed Fire - Staff Number	532	539	594
Total S&W Expenditures	\$65,093,565	\$64,743,508	\$67,968,889
All Other Employees - Staff Number	1377	1386	1428
Total S&W Expenditures	\$54,599,499	\$53,961,607	\$59,659,200
<b>5. Impact of Proposed Tax Levy</b>			
			<b>Amount</b>
Current Year Taxable Value			12,435,612,111
Introduced Tax Levy			375,346,300.66
Proposed Municipal Tax Rate	\$ 3.098	Average Res. Value ( #4 above)	172,125
Current Year Taxes on Average Residential Value (#4 above)			5,333.15
Prior Year Taxes on Average Residential Value			5,082.85
Proposed Increase in average residential taxes			250.30

**VII. Application Year Budget Information**

A. Year of latest revaluation/reassessment

December 2013
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B. Proposed Budget – Appropriation Cap Information

- Item**
- Was an appropriation cap index rate ordinance adopted last year?  
If YES: % that was used
  - Amount of appropriation cap bank available going into this year
  - Is the Application Year budget at (appropriation) cap?  
If NO, amount of remaining balance
  - Does the Application Year anticipate use of a waiver to exceed the appropriation cap?  
If YES, amount:

	Yes	No
	X	
3 1/2%		
\$28,595,488		
		X
\$32,181,422		
		X
\$N/A		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Health Benefits	75,935,241.67	83,781,280	4,846,038.33
Debt Service	40,428,150.20	44,379,149	3,950,998.80
PERS	9,174,594.57	9,212,745	38,150.43
Reserve for Uncollected Taxes	15,656,000.00	25,261,523.87	9,605,523.17

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

Department/Agency	Position	Number	Dollar Amount
NA			

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	206,332,918		31,000,000	256,076,084.00 (17a)	185,935,365.00 (17a)
Second year	To be supplied				
Third year					



<b>Application Year: CY 2014</b>	<b>Municipality: Newark</b>	<b>County: Essex</b>
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**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?		X
If not, be prepared to discuss why not in your application meeting.		

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

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	<b>SHBP</b>		
			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	2014	2014	2014	2006
Average percentage increase	6.5%	7.5%	2%	0%
Last contract settlement date	2009	2013	2012	
Contract expiration date	12/31/2012	12/31/2015	12/31/2014	

**2) Explain, if any, actions taken or under consideration for the Application Year:**

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)				
None				
Wage Freezes (describe below)				
Wages are frozen for all unions except those with current contracts				
Layoffs (describe below)				
Demotions				

<b>Application Year: CY 2014</b>	<b>Municipality: Newark</b>	<b>County: Essex</b>
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**D. Tax Enforcement Practices:**

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2013 budget? If not, please include a letter from the tax collector explaining why he/she failed to complete the sale in a timely manner and what the impacts were on cash flow and lost investment earnings.		X
2. When was the last foreclosure action taken or tax assignment sale held: <span style="float: right;">Date:</span>	12/21/12	
3. On what dates were tax delinquency notices sent out in 2013: <span style="float: right;">Date:</span>	1/17, 3/15, 6/7, 8/30, 10/18, 12/3	
4. Date of last tax sale: <span style="float: right;">Date:</span>	12/13/13	

**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:**

2012	\$331,415.85	2013	\$ 276,827.43	Anticipated Application Year:	\$ 60,000.00
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**2. List the instruments in which idle funds are invested:**

NA	

3. What was the average return on investments during CY 2013?

.50%

4. Left Blank Intentionally

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

Samuel Klein & Co.

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

No Change

**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
Newark Fraternal Order of Police	12/31/2012	City is currently in active negotiations for a successor labor agreement

<b>Application Year: CY 2014</b>	<b>Municipality: Newark</b>	<b>County: Essex</b>
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Newark Superior Officers Association	12/31/2012	City is currently in active negotiations for a successor labor agreement
Newark Police Deputy Chiefs Association	12/31/2012	City is currently in active negotiations for a successor labor agreement





**IX-C. Evaluate existing local revenues as to whether or not the rates or collections can be increased or imposed, and if so, how changes will be implemented.**

Local Revenues and services provided through the General/Current Fund	Check if services is provided	Are fees charged to cover the costs of the program?	If fees do not cover costs, what is the amount of subsidy?	If there is a subsidy, explain why fees cannot be increased to reduce or eliminate subsidy.
Recreation programs	<input checked="" type="checkbox"/>	No		
Sewer Fees	<input checked="" type="checkbox"/>			
Water Fees	<input checked="" type="checkbox"/>			
Swimming Pool	<input checked="" type="checkbox"/>	No		
Uniform Construction Code	<input checked="" type="checkbox"/>			
Uniform Fire Code	<input checked="" type="checkbox"/>			
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input checked="" type="checkbox"/>	Parking taxes		Newark has a Parking Authority
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			
Special Taxes:				
Payroll				Self-reporting
Parking				Self-reporting
Car Rental				Self-reporting
Hotel				Self-reporting

<b>Application Year: CY 2014</b>	<b>Municipality:</b>	<b>County:</b>
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**X. Service Delivery**

List all services 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)
Mutual Agreement - Fire	<b>Neighboring Communities</b>		
Emergency Medical Services	UMDNJ	\$4.35 Million	
Worker's Compensation Third Party Administration	CCSMI	\$8million	
Refuse Disposal	ECUA	\$9.7Million	
Recycling	First Occupational Center	\$1.280 Million	
Street Sweeping	DeJanna	\$2.195 Million	
Excavation Clearing and Demolition	S. Basso, Jr., Rubbish	\$2Million	
Curbside Collections of Recyclable Materials	Joseph Smentowski, Inc.	\$2.8Million	
<b>Additional Information in Attached Exhibits</b>			



Application Year: CY 2014	Municipality:	County:
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**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 municipality is committing to the cuts outlined below 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

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

Rank Order	Service	Cost Savings	Impact on Services

Application Year: CY 2014	Municipality:	County:
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**XII. Agreement to Improve Municipal Financial Position**

**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 to be signed by the municipality. 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 2013 MOU and is moving in good faith to correct those area of noncompliance that have been identified, including, but not limited to, the following: establishment of a pay to play ordinance; termination of longevity pay for officers and employees not contractually entitled to longevity pay; termination of health benefits for part time officers and employees; receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor: \_\_\_\_\_ Date: \_\_\_\_\_  
 Chief Financial Officer: Danielle G. Smith Date: 8/7/14  
 Chief Administrative Officer: Michael R. Green Date: 8/8/14

**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: 8-7-14  
 Chief Financial Officer: Danielle G. Smith Date: 8/7/14

**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: \_\_\_\_\_

Chief Financial Officer: Danielle A. Smith Date: 8/7/14

Chief Administrative Officer: Michael J. Greene Date: 8/8/14