

Transitional Aid Application for Calendar Year 2016
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by March 21, 2016 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2016-4 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7 of the Local Finance Notice.

Name of Municipality:	Newark	County:	Essex
Contact Person:	Jack Kelly	Title:	Business Administrator
Phone:	(973) 733-3398	Fax:	(973) 733-3769
E-mail:	kellyj@ci.newark.nj.us		

I. Aid History

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

CY 2015	CY 2014	CY 2013
\$ 10,000,000	\$ 10,000,000	\$ -0-

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:	\$10,000,000
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2016-4.

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
2015 Annual Financial Statement	3/17/16
2014 Annual Audit	8/11/15
2014 Corrective Action Plan	10/09/15
Application Year Introduced Budget	5/18/16
Budget Documentation Submitted to Governing Body	5/27/16 (projected)

Application Year: CY 2016	Municipality: Newark	County: Essex

IV. Application Certification

The undersigned herewith certify that they he or she has reviewed this application and, to his or her knowledge, believe the contents to be accurate true and represent 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		5/27/14
Governing Body Presiding Officer		6/8/16
Chief Financial Officer		6/8/16
Chief Administrative Officer		5/27/14

Application Year: CY 2016	Municipality: Newark	County: Essex

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.

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 broad 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.

The City faced challenges to the adoption of a balanced cash basis budget in 2015. Under the powers conferred under the Supervision Act, on September 22, 2015 the Local Finance Board adopted a balanced 2015 operating budget, reflecting, among other things, the receipt of \$10 million in Transitional Aid from the State, an 8.7% increase in the City’s municipal property tax levy (along with the corresponding drop in assessed values the municipal rate increased by 10%) and a ten-year amortization of the 2013 deficit and 2014 deficit. The City currently anticipates that it will remain under State supervision until the City’s structural deficit is ameliorated.

In connection with the City’s receipt of \$10 million in Transitional Aid from the State in 2015, the City entered into another Memorandum of Understanding with the Division (the “2015 MOU”). As with the 2014 MOU, the 2015 MOU requires the City to obtain the prior consent of the Director before taking certain actions, including (but not limited to) new hiring, employee raises and promotions, expansion of municipal services, certain contracts and bond authorizations, and granting of tax abatements. The City is also required to adhere to certain contracting procedures, report to the Division on its progress toward implementing recommendations from State-commissioned performance audits, and present a transition plan detailing how the City intends to eliminate its reliance on special State assistance. The 2015 MOU shall continue in effect until the City adopts a budget that does not have a structural imbalance that is greater than 5% as determined by the Director, and may be replaced by a subsequent Memorandum of Understanding in respect of any Transitional Aid as may be awarded to the City in connection with its FY2016 budget.

Data from the 2014 American Community Survey, prepared by the US Census bureau, indicates 25% of the population is below the poverty line, 43% of individuals under 18 live in households under the poverty line, 42% of families have no husband present and 56% of this group is below the poverty line.

Application Year: CY 2016	Municipality: Newark	County: Essex

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	2015 Value	2016 Value	Amount of Loss/Increase
Personnel Services	87,884,682	89,921,886	2,037,204
Description:			
Debt Service	44,573,761	47,111,811	2,538,050
Description:			
Surplus (non-cash)	-0-	29,554,235.74	29,554,235.74
Description:			
Payroll Tax	41,378,000	45,768,086	4,390,086
Description:			
Parking Lot Receipts	20,361,000	22,454,387	2,093,387
Description:			
Property Taxes	217,713,840	227,857,829	10,143,989
Description:			
Ticket Tax and Facilities	363,000	379,016	16,016
Description:			
Hotel Tax	6,890,000	6,434,053	455,947
Description:			
Courts	11,869,000	10,941,624	(927,376)
Description:			
Car Rental	5,900,000	7,958,513	2,058,513
Description:			
Open Space and Recreation Trust	1,234,595	1,223,611	(10,984)
Description:			
Passaic Valley Sewerage Commission	-0-	796,790.97	796,790.97
Description:			

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V-C. Actions to Reduce Future Need for Aid

Detail the steps the municipality is taking to reduce the need for 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.)

Long term cost cuttings:

1. Adopt Ordinance implementing direct deposit.
2. Contract with Essex County to run the Greene Street jail.
3. Replace sworn police officers providing security to the Municipal Court with retired police officers.
4. Contract with vendor to provide police and fire dispatch
5. Reduce amount paid to University Hospital for ambulance service.
6. Migrate phone system to VOIP.
7. Reduce starting salary for police and fire, increase steps.
8. Strive to reduce size of work force.

New Development:

- Cablevision: 73,000 SF (Under Construction)
- Boitrial: 70,000 SF R&D facility (Under Construction)
- Hotel Carvi, 94 room boutique hotel (Slated to open in 2016)
- Home 2 Hilton, Tryp Hotel, Homewood Suites and Eurostar Newark (Slated to open in 2017)
- Whole Foods lease signed (Hahne's Building): 29,000 S.F. (Slated to open in 2016)

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V-D. Discussion of Health Benefits

Skip this section if using SHBP. If not using SHBP, explain why the health benefit plan being used is cheaper, or what reasons exist for failing to move to SHBP. Additionally, list all brokers (primary broker or risk manager, all co-brokers, and sub-brokers) together with their compensation for the current and prior two fiscal years. Compensation must be disclosed in this section whether provided directly by the municipality or as a commission from the insurance provider. It is the municipality's right, and obligation, to determine whether the broker is compensated with commission in order to fully complete this section. If commissions are being earned, provide both how the commission is calculated (percentage of premium or self-insurance) and the actual \$ value of the commission received in each year.

The City is home to Horizon Blue Cross/Blue Shield. The City has secured a fully insured contract from Horizon at rates lower than the SHBP.

The City's broker is Brown and Brown and their fixed compensation for 2015 is \$ 496,292.

Previous compensation:

2015 Commissions and bonus None

2014 Commissions and bonus None

The City fully implemented Chapter 78 for all employees on February 13, 2015. All City employees are now on Tier 4. Employees contributed \$9.7 Million in 2015 and are projected to contribute \$13 Million in 2016 towards the cost of employee health care.

The City at every opportunity is striving to reduce Group health care costs, certain actions include eliminating the Traditional Plan, eliminating health care for employees hired working less than 35 hours, creating a third tier for Rx and offering Horizon's OMNIA plan to all employees. Additionally the city will be studying a self-insured option in 2016 along with option of making lump sum payments to labor groups vs. continuing to cover employees in the City's plan.

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VI. Historical Fiscal Statistics

Item	2014	2015	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$ 1.587	\$ 1.731	\$1.781
Municipal Purposes tax levy	\$ 196,588,808.20	\$ 213,628,741.37	\$217,901,316.00
Municipal Open Space tax levy	\$ -0-	\$ 1,234,595.48	\$1,223,611.00
Total general appropriations	\$ 634,139,269.36	\$ 652,845,300.03	\$638,668,718
2. Cash Status Information			
% Of current taxes collected	96.11%	96.11%	
% Used in computation of reserve	96.11%	96.11%	96.18%
Reserve for uncollected taxes	\$ 16,650,211.39	\$ 16,201,150.46	\$16,290,668
Total year end cash surplus	\$ -0-	\$ -0-	
Total non-cash surplus	\$ -0-	\$ 29,554,235.74	
Year end deferred charges	\$ 6,700,000.00	\$10,000,000	
3. Assessment Data			
Assessed value (as of 1/10)	\$ 12,435,612,111	\$ 12,345,954,600	\$12,236,101,176
Average Residential Assessment	\$ 173,035	\$172,125	\$172,125
Number of tax appeals granted	359	258	
Amount budgeted for tax appeals	\$ 1,700,000	\$ 2,059,972.12	\$2,059,972.12
Refunding bonds for tax appeals	\$ 8,420,000	\$ 6,225,000.00	\$ 0
4. Full time Staffing Levels			
Uniformed Police – Staff Number	1138	1136	1136
Total S&W Expenditures	\$ 125,563,655	\$131,767,188	\$133,997,237
Uniformed Fire – Staff Number	594	619	619
Total S&W Expenditures	\$ 69,023,806	\$71,048,200	\$72,145,760
All Other Employees – Staff Number	1427	1420	1425
Total S&W Expenditures	\$ 55,251,877	\$60,672,006	\$66,092,135
5. Impact of Proposed Tax Levy			

	Amount
Current Year Taxable Value	12,236,101,176
Introduced Tax Levy	420,978,025
Proposed Municipal Tax Rate	Average Res. Value (#4 above)
Current Year Taxes on Average Residential Value (#4 above)	5,923.61
Prior Year Taxes on Average Residential Value	5,696.26
Proposed Increase in average residential taxes	227.35

VII. Application Year Budget Information

Application Year: CY 2016	Municipality: Newark	County: Essex

A. Year of latest revaluation/reassessment

December 2013
93.08%

A1. Most current equalized ratio

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	
3.5%		
\$36,222,272		
	NO	
\$31,211,143		
	NO	
\$		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Health Benefits	87,255,582	89,694,169	2,438,587
Municipal Debt Service	44,573,761	47,111,811	2,538,050
Police	131,767,188	133,997,237	2,230,049
Fire	71,048,200	72,145,760	1,097,560
Engineering	35,552,650	37,515,934	1,963,284

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

Department/Agency	Position	Number	Dollar Amount
N/A			

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	217,901,315	379,093,697	10,000,000	243,947,387	171,008,455
Second year	222,259,341	382,884,634	0	248,826,334	172,718,539
Third year	226,704,527	386,713,480	0	253,802,861	174,445,724

VIII. Financial Practices

Application Year: CY 2016	Municipality: Newark	County: Essex

A. Expenditure controls and practices:

Question	Yes	No
1. Is an encumbrance system used for the current fund?	X	
2. Is an encumbrance system used for other funds?	X	
3. Is a general ledger maintained for the current fund?	X	
4. Is a general ledger maintained for other funds?	X	
5. Are financial activities largely automated? If so, please identify system being used.	X	
6. Does the municipality operate the general public assistance program?		X
7. Are expenditures controlled centrally (Yes) or de-centrally by dept. (No)?	X	
8. At any point during the year are expenditures routinely frozen?	X	
9. Has the municipality adopted a cash management plan?	X	
10. Have all negative findings in the prior year's audit report been corrected? If not, be prepared to discuss why not in your application meeting.		X

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

Coverage	JIF/HIF	Self	Commercial
General liability		X	
Vehicle/Fleet liability		X	
Workers Compensation		X	
Property Coverage		X	
Public Official Liability		X	
Employment Practices Liability		X	
Environmental		X	
Health	SHBP		X

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	2012	2015	2014	2006
Average total cost percentage increase	3%	1.33%	1.33%	0%
Last contract settlement date	2/5/10	2/1/13	8/9/12	
Contract expiration date	12/31/12	12/31/15	12/31/14	

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

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)	N/A	N/A	N/A	N/A
All Contracts are currently expired, Fire Superiors accepted one year contract for 2016 at 0%.				
Wage Freezes (describe below)				

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All Contracts are currently expired.			
Layoffs (describe below)			
N/A			

D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2015 budget? If not, please include a letter from the tax collector explaining why he/she failed to complete the sale in a timely manner and what the impacts were on cash flow and lost investment earnings.	X	
2. When was the last foreclosure action taken or tax assignment sale held:	Date:	8/14/15 & 9/2/15
3. On what dates were tax delinquency notices sent out in 2015:	Date:	5/27/15, 7/29/15, 8/21/15, 11/13/15
4. Date of last tax sale:	Date:	9/25/15

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:

2014	\$101,218.00	2015	\$237,969	Anticipated Application Year:	\$237,000
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2. List the instruments in which idle funds are invested:

Bank Money Market Accounts	

3. What was the average return on investments during 2015?	.50%
4. Left Blank Intentionally	
5. The name and firm of the municipality's auditor?	Samuel Klein and Company
6. When was the last time the municipality changed auditors?	More than 10 years

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.

Application Year: CY 2016	Municipality: Newark	County: Essex

Employee Group	Expiration Date	Status of Negotiations of Expired Agreement
Police	12/31/12	Impasse: Arbitration likely.
Fire	12/31/15	Proposal exchanges forthcoming
All Civilian Contracts	12/31/14	Proposal exchanges forthcoming.

H. Tax Abatements. Please provide a detailed discussion of any short-term or long-term tax abatements that are currently in place or are currently being negotiated including the following information:

Project Name/Property	Type of Project	2015 PILOT Billing	2015 Assessed Value	2015 Taxes If Billed in Full at 2015 Total Tax Rate	Term of Tax Abatement
See Attached (Exhibit 1)					

IX-A. List actions that limited Salary and Wage costs: i.e., layoffs, furloughs, freezes, contract concessions, etc. (See item C-3 in Local Finance Notice for details)

S&W Line Item	Prior Year Actual	Application Year Proposed	Explanation of Change
Labor Contracts			Uniform labor contracts are currently under review; the City is seeking give backs and will most likely go into interest arbitration.
			All contracts are currently expired and we are in negotiations

Application Year: CY 2016

Municipality:

County:

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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"/>	yes		
Sewer Fees	<input checked="" type="checkbox"/>	yes		
Water Fees	<input checked="" type="checkbox"/>	yes		
Swimming Pool	<input checked="" type="checkbox"/>	No		
Uniform Construction Code	<input checked="" type="checkbox"/>	yes		
Uniform Fire Code	<input checked="" type="checkbox"/>	yes		
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"/>			
Land Use Escrow fees for in-house staff	<input type="checkbox"/>			
Land Use Escrow fees for independent contractors	<input type="checkbox"/>			
Special Taxes:				
Payroll				Self-reporting
Parking				Self-reporting
Hotel				Self-reporting
Car Rental				Self-reporting

Section XI – Impact of Limited or No Aid Award

Describe in complete detail the actual 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	2014 Full Time Staffing	2015 Full Time Staffing	\$ Amount to be Saved
1	City – Wide (20% RIF)	600	6-30-16	3,159	3,175	\$10,000,000

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

Rank Order	Service	Cost Savings	Impact on Services

XII. Agreement to Improve Financial Position of Municipality

If aid is granted, the municipality will be required to submit to certain reporting conditions and oversight as authorized by law and a new Memorandum of Understanding will need to be signed. Please mark each box below indicating that the applicant understands, and agrees to comply with these broad reporting and oversight provisions.

	Yes	No
1. Allow the Director of Local Government Services to assign management, financial, and operational specialists to assess your municipal operations.	X	
2. Implement actions directed by the Director to address the findings of Division staff.	X	
3. Enter into a new Memorandum of Understanding and comply with all its provisions, without exception.	X	

XIII. Certification of Past Compliance for Municipalities Currently Operating Under a Transitional Aid MOU:

The undersigned certify that the municipality is in substantial compliance with the conditions and requirements of the 2015 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: _____ Date: _____

Chief Administrative Officer: _____ Date: _____

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: _____ Date: _____

Chief Administrative Officer: _____ Date: _____

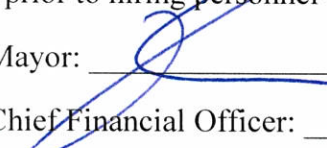
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	Yes	No
1. Allow the Director of Local Government Services to assign management, financial, and operational specialists to assess your municipal operations.	X	
2. Implement actions directed by the Director to address the findings of Division staff.	X	
3. Enter into a new Memorandum of Understanding and comply with all its provisions, without exception.	X	

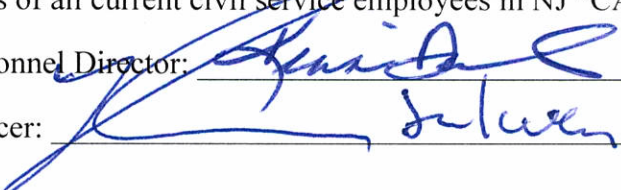
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Mayor:  Date: 6/3/16
 Chief Financial Officer: Danielle D. Smith Date: 6/8/16
 Chief Administrative Officer: John Teller Date: 5/31/16

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:  Date: 6-3-16
 Chief Administrative Officer: John Teller Date: 6/3/16

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: 6/3/16
Chief Financial Officer: Dannelle D. Smith _____ Date: 6/8/16
Chief Administrative Officer: Jim Allen _____ Date: 5/31/14

