



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

José "joey" Torres
Mayor

November 25, 2015

Timothy Cunningham, Director
Division of Local Government Services
101 South Broad Street
Trenton, NJ 08625

Dear Director Cunningham:

I respectfully submit the City of Paterson's SFY 2016 Transitional Aid Application with a request for an increase in said aid. Your consideration to the extraordinary needs of the taxpayers and citizens of the City of Paterson is humbly appreciated.

In the preparation of our SFY 2016 budget and aid application, we were expecting to see a larger than ordinary increase in our deficit, but once the final numbers were official, we were stunned and simultaneously fearful.

The exponential growth in the City's structural deficit has quadrupled in a year. This is mainly due to the prior years' deferrals coming due in the same fiscal year coupled with a significant loss of our tax ratables. In fact, the loss of ratables since 2008 required the City to complete a new revaluation causing pandemonium to more than a third of our property owners because their quarterly tax bills went up by at least \$250 - \$1,000 per quarter.

I have spent countless hours and made many changes to this year's budget, only to find us having to introduce a budget with a huge gap between revenues and expenses. We present the attached application, which details the major components causing our budget gap. As you read through, please be aware that solutions are not within our immediate reach to close this gap without the necessary Transitional Aid.

In consideration of the dire needs presented herein, I respectfully request your consideration for Transitional Aid of \$38,368,900, an increase of \$13,368,900 from SFY 2015. These monies are essential to the going concerns of the citizens of the City of Paterson and will be used to maintain vital services and improve the quality of life for the property owners, residents and visitors alike.

I thank you in advance for your attention in this matter and truly appreciate your efforts to assist us in the application process. Please feel free to call me at 973-321-1600.

Very truly yours,

Jose "Joey" Torres
Mayor

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

General Instructions: This application must be submitted in its entirety by November 6, 2015 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2015-19 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:		Nellie Pou		Title:	Business Administrator
Phone:	973-321-1370	Fax:	973-321-1372	E-mail:	npou@patersonnj.org

I. Aid History

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

SFY2015	SFY 2014	SFY 2013
\$25,000,000	\$23,000,000	\$22,370,000

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:	\$38,368,900
--	---------------------

If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2015-19.

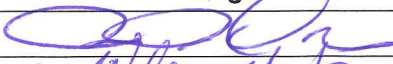
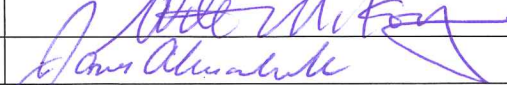
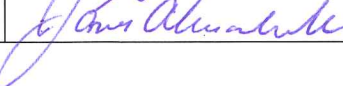
III. Submission Requirements

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
2015 Annual Financial Statement	10/1/15
2014 Annual Audit	10/21/15
2014 Corrective Action Plan	Pending
Application Year Introduced Budget	10/27/2015
Budget Documentation Submitted to Governing Body	10/20/2015

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 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		
Governing Body Presiding Officer		11/25/15
Chief Financial Officer		11/25/15

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.

PATERSON'S SFY 2016 BUDGETARY DEFICIT, as per Introduced & Approved Budget - OVER AND ABOVE THE CONTINUED RECEIPT OF TRANSITIONAL AID OF \$25,000,000

The City introduced the SFY 2016 budget with a **BUDGETARY DEFICIT of \$26,000,000**. This deficit REMAINS AFTER THE INCLUSION OF \$25 MILLION TRANSITIONAL AID in the introduced and approved SFY 2016 budget. Budget deficits, for the City, are structural. This year's deficit has increased to mammoth proportions in comparison to past years. It has evolved from the remediation techniques applied to the last several years when ameliorating the 'smaller' \$7 - \$9 million deficits. We are now experiencing the very real compounding effect of deferring annual costs that would have been paid in another fiscal year, and not provided for, nor reserved for.

COST DRIVERS OF THE \$26,000,000 DEFICIT

To begin, there are several major items, referred to as 'one shots' driving up our costs. In SFY 2016, these are:

Decrease in Anticipated Surplus - **\$1, 650,000** - we were fortunate to have that amount in SFY 2015 to use. It is next to impossible for the City to maintain a surplus in Current Fund.

Increase in Public Safety and Other Wages - **\$10,440,000** - we have over 25 collective bargaining agreements, all of which have expired several years ago, and are queued for retroactive settlements in this fiscal year, thereby requiring us to put the monies in this budget, that for a few years had been taken out to reduce past deficits.

Health Benefits - **\$5,910,000** - our costs this year have increased almost 14% over last year, and we are vigorously working to change many of the components to drive these costs downwards.

Increase in Debt Service payments - **\$3,620,000** - this is the initial year that we must start repaying the debt payments deferred in prior years to reduce those annual deficits.

We also see higher annual increases this year in some of the major cost areas, such as:

Reserve for Uncollected Taxes - **\$3,250,000** - since we have a corresponding drop in our current tax collection rate (down to 93.42%).

Fortunately, the City still manages to drive up miscellaneous revenues, which have provided over \$1.9 million dollars to offset increasing costs (Municipal Court, sewer fees, health reimbursements, and building code fees)

WHAT ARE OUR BIGGEST OBSTACLES?

The obstacles to fiscal stability or growth are rooted in the ever growing costs of services and asset loss, including the City's ratables. The City cannot find the cures this year, largely because of structural obstacles, which have been created by either the deferral of costs from prior years or by ratable losses, resulting in less income. These are the services that the City provides to its residents and visitors each year, each one having its unique cost accumulators. With each passing year, inflation directly increases the costs of these services.

Ratable Loss - In the past four years, the City's lost revenue exceeds \$13 million because these ratables are no longer providing a tax revenue stream. The loss of ratables, whether by tax appeal, foreclosure or abandonment, results in permanent loss of annual property taxes. The City has a large asset of tax receivables and foreclosed properties on its balance sheet, but liquidating these is difficult because the locations are less than desirable in the resale market. Still, a long-term plan is in the works with the Department of Economic Development, as we recognize how important our ratables are to our fiscal health and recovery. This plan is known as the "Restoring Vacant and Abandoned Problem Properties".

Salaries and Wages—The process of collective bargaining has begun to implement strategies that provide for zero-to-below 2% annual wage increases. Doing so provides management with opportunities to plan for several years in advance the true labor costs.

Health benefit costs for employees – We regularly solicit (every 3 years) new third party administrators to assist us in cost containment endeavors, including repackaging each benefit.

Debt service –Debt deferral arrangements approved two-three years ago are now due. We also make strident improvements in our fiscal reporting to our rating agencies which are showing a lowering of our interest rates in the bond market.

Workers' compensation costs – We implement quality internal controls that include safeguards for work-related injuries and have appointed in house risk manager to seek out fraudulent claims.

WHAT IS THE IMPACT OF THE \$26,000,000 DEFICIT ?

WE have to stress that this deficit is after the inclusion of at least a \$25,000,000 receipt of Transitional Aid. In actuality, our true needs hover at \$50,000,000. WE know that DCA cannot entertain filling the entire gap.

Between now and the adoption of the SFY 2016 budget, we will continue to slash every cost we can by dissecting all seasonal/temporary programs, all overtime costs to eliminate non-essential costs, and every single budgeted position will be compared to an actual payroll position to weed out any and all vacancies.

We will also endeavor to implement a restoration of abandoned properties to current status and complete a city-owned property sale prior to the budget adoption. We have planned an assignment sale, as well.

We believe that we can realize cost savings and additional realized revenues of at least \$9 million by the time we adopt the SFY 2016 budget.

Still, it would mean our true Transitional Aid needs are \$42 million, before any municipal tax increase.

WHAT IS NEXT FOR THE CITY OF PATERSON TAXPAYERS?

At the start of SFY 2016, the City implemented the new revaluation assessments for use in preparing the 3rd and 4th Quarter 2015 tax bills. A tax revolt ensued for several weeks, after we mailed out the estimated tax bills. More than 1/3 of the property owners saw a tax increase in excess of \$500 OVER 2 QUARTERS (23% > \$1,000 to \$5,000 over 2 quarters). The other 2/3 had a decrease of \$500 or more (42% > \$1,000 to \$5,000 over 2 quarters).

Any further tax increase for the SFY 2016 tax levy would become so onerous to the 1/3 property owners that many would fall into the spiral of losing their homes and the City would begin the two-to-three year process of delinquent taxes to city owned properties. This would ensure a cycle of tremendous tax hikes and even worse quality of life issues.

PATERSON RESIDENTIAL TAX IMPACT BREAKDOWN

QUANTITY	\$ TAX CHANGE	% OF TOTAL	
176	GREATER THAN \$5000 INCREASE	0.98%	TOTAL INCREASE: 6923 38.71%
1918	\$2000-\$5000 INCREASE	10.73%	
1981	\$1000-\$2000 INCREASE	11.08%	
1341	\$500-\$1000 INCREASE	7.50%	
1507	\$0-\$500 INCREASE	8.43%	
1606	MINUS \$1-\$500 DECREASE	8.98%	TOTAL DECREASE: 10959 61.29%
1569	MINUS \$500-\$1000 DECREASE	8.77%	
2775	MINUS \$1000-\$2000 DECREASE	15.52%	
4673	MINUS \$2000-\$5000 DECREASE	26.13%	
336	MINUS > \$5000 DECREASE	1.88%	
17882		100.00%	

V-A. Explanation of Need for Transitional Aid (continued)

UPDATE TO THE SFY 2016 TRANSITIONAL AID APPLICATION : POST-INTRODUCTION OF SFY 2016 MUNICIPAL BUDGET

At the time of the introduction and approval of the SFY 2016 budget, the City's actual structural imbalance/deficit was \$51,000,000. Since, the Mayor and the Governing Body concurred that many policy changes would be necessary, and in short order, to effectuate material reductions in the total general appropriations.

Collectively, we conceded that any vacant positions would be eliminated so the costs associated with those programs would be pulled out of the budget. In addition, the salary projections were recalculated to provide for the pending contractual salary increases slated for settlement and payout in the current budget year. Overall, *salaries were slashed \$6.9 million.*

Other expenses were evaluated for additional material reductions, *resulting in another \$2.74 million.*

Paterson's socioeconomic demographics are the largest factor in why the City's tax receivables are almost ½ of the assets of the City. Unfortunately, these are mostly non-liquid and are causing the reserve for uncollected taxes to grow, as well. The City is planning to conduct a sale of these liens and is in the process of packaging the liens for sale on an interactive web-based application to attract a larger audience and possibly more sophisticated investors. *We anticipate a conservative \$2 million in revenue* in this updated budget version.

The net amount of these adjustments was \$12,715,954, directly reducing the Local Municipal Purpose Property Tax, as approved. It also reduced the structural imbalance/deficit to \$38,368,876.29.

This deficit has plagued Paterson for decades. Most every other year, the City took steps to reduce it by using agreed-upon techniques that had a useful life of 1 to 3 years, for the most part. As noted herein and above, this deficit has grown in size and in this particular year, mainly because these techniques are not permissible this year, or not relevant.

We must stress, again, the importance of this state aid, referred to as 'Transitional Aid'. In our case, it is 'LIFE SUPPORT'.

City of Paterson
SFY 2016 Introduced Budget, Revisions for SFY 2016 Transitional Aid Application

		REVENUES		APPROPRIATIONS
Total General - Before Adjustments (Per Introduced Budget)		\$ 283,222,719.11		\$ 283,222,719.11
	<u>Adjustments:</u>			
Various Departmental Salary Reductions	\$ 5,409,916.00	\$ -		\$ 5,409,916.00
Various Departmental Salary Reductions	\$ 1,527,485.00	\$ -		\$ 1,527,485.00
Health Insurance OE	\$ 38,353.00	\$ -		\$ 38,353.00
Workers Compensation OE	\$ 300,000.00	\$ -		\$ 300,000.00
Liability OE	\$ 1,300,000.00	\$ -		\$ 1,300,000.00
	\$ 8,575,754.00	\$ -		8,575,754.00
Reduce Capital Improvement Fund	\$ 350,000.00	\$ -		\$ 350,000.00
Reduce Reserve for Uncollected Taxes	\$ 592,200.00	\$ -		\$ 592,200.00
	\$ 942,200.00	\$ -		942,200.00
Health Insurance Employee Reimburse from Rev - Reclassified	\$ (4,524,000.00)	\$ (4,524,000.00)		\$ 4,524,000.00
	<u>Additional Revenue Adjustments:</u>			
Assignment Sale - Taxes & Interest/costs	\$ 2,000,000.00	\$ 2,000,000.00		\$ -
Due From Other Trust - Off Duty	\$ 180,000.00	\$ 180,000.00		\$ -
Parade Reimbursements	\$ 54,000.00	\$ 54,000.00		\$ -
Due From General Capital - Cancel funded IAs	\$ 800,000.00	\$ 800,000.00		\$ -
Additional Sewer Fees	\$ 130,000.00	\$ 130,000.00		\$ -
Parking Authority	\$ 34,000.00	\$ 34,000.00		\$ -
	\$ 3,198,000.00	\$ 3,198,000.00		-
	\$ 12,715,954.00	\$ 281,896,719.11		269,180,765.11
Local Municipal Purpose Property Tax - Net Adjustments	\$ (12,715,954.00)	\$ (12,715,954.00) (1)		-
	\$ -	\$ 269,180,765.11		\$ 269,180,765.11
Local Municipal Purpose Property Tax - Per Introduced Budget		\$ 172,020,494.47	BS 11a	
Local Municipal Purpose Property Tax - Net Adjustments		\$ (12,715,954.00) (1)		
Local Municipal Purpose Property Tax - As Adjusted per above		\$ 159,304,540.47 (2)		
Local Municipal Purpose Property Tax - As Adjusted per above		\$ 159,304,540.47 (2)		
Local Municipal Purpose Property Tax - SFY 2015 Budget		\$ 145,935,664.18	BS 11a	
Increase from SFY 2015 in Tax Levy		\$ 13,368,876.29		9.16%
SFY 2015 Transitional Aid		\$ 25,000,000.00		(% increase from SFY 2015)
SFY 2016 Deficit		\$ 38,368,876.29		

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
Description:	NOT APPLICABLE		
Description:			
Description:			
Description:			
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. Enacted capital ordinance to provide funds to resurface citywide streets impacted by storm damage and neglect. This will provide the city with working capital of \$35 million to complete the resurfacing project within the city's 8 square miles. 2ND Year.
2. Suspend overtime work and remuneration of same for non-essential work by mandating monthly forecasts compared to actual from each City department head and statutory agency head. Any exception(s) shall require the express approval of the Mayor or his designee.
3. Prohibit and restrict all non-essential spending of any other expenses which are not set by an annual contract by mandating monthly forecasts compared to actual from each City department head and statutory agency head. Any exception(s) shall require the express approval of the Mayor or his designee.
4. Increase City Inspector activities, particularly regarding vacant buildings and land. Require monthly activity reports of activity production against assignments. Review outcome for possibility of entering a shared service agreement for Licensed inspector services from County or other municipalities.
5. Contract negotiations with all non-uniformed bargaining units to be settled in short term. In Process of Adopting a Memorandum of Agreement.
6. Legal, Insurance and Administration departments to review the general liability and workers compensation claims and related attorney fees to reduce and contain costs. Focus to commence with an inventory of all cases assigned and status report.
7. Hired a Risk Manager to perform audits of workers compensation claims and assist in an audit of the City's Health Benefits Program pertaining to legitimate dependents.
8. Prepare property list to conduct an In Rem Foreclosure sale of City owned properties.
9. Prepare property list of City owned liens to conduct a Bulk Lien Assignment Sale.
10. Assessed the cost associated with Special Events (parades, carnivals, festivals, etc.) to be charged to the organizations as permitted by City Ordinance.
11. Review of services provided by City for fee revisions and/or creation.
12. Hire consultant engineer to review the sewer utilization and outflows from contiguous municipalities and non-profits to identify fee revisions and potential new customers.

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, 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.

There are two major components that must be considered when comparing the City of Paterson self funded medical and prescription program to the SHBP:

1) Medical and prescription drug plan design and collective bargaining contracts

When comparing the SHBP premiums to the projected costs and premium equivalents for the City of Paterson's medical and prescription program for 2016, the SHBP does present an ongoing cost savings, especially when adding the cost of our health insurance consultant and personnel involved on the day-to-day operations.

The cost comparison revealed that the City's aggregate anticipated self-funded cost is roughly 9.5% higher than the SHBP Horizon Direct 10 plan, excluding the costs for Medicare-eligible retirees.

In an attempt to control the health insurance cost, the City of Paterson has made several changes to the medical and prescription drug programs that have not yet had a full year of impact on plan costs. These include:

- Precertification for certain medical procedures
- Mandatory generic utilization without medical necessity substantiation for brand name drugs
- Step therapy for certain classes of drugs
- Mandatory specialty pharmacy utilization
- Dependent eligibility audit to ensure proper participation

2) Financial impact of the move to the SHBP

The SHBP does not offer medical and prescription drug plans that meet the "equal to or better than" stipulations in the collectively bargained contracts with the City of Paterson union employees. It also does not offer a traditional plan and even the highest PPO plan offered in the SHBP, the Direct 10 plan, does not have comparable prescription drug benefits or out of network benefits to those offered in the current City of Paterson medical and prescription drug plans.

In addition to the pure premium cost of SHBP participation, Paterson must also calculate the cost of terminating its self-funded benefit plan. These costs include:

- Run-out claim liability estimated between \$7.5mm and \$8mm based on two months of claims.
- Unpaid medical and Rx claim bills of approximately \$2.5mm - \$3mm
- Potential grievance procedures filed by Paterson's unions

The City of Paterson currently utilizes USI Insurance Services as a consultant instead of a broker for medical, prescription and dental benefits. The City of Paterson entered into a contract with USI for an annual flat fee in the amount of \$138,000 and \$144,000 for fiscal year 2015 and 2016, respectively. The flat fee is paid by the City of Paterson to USI on a monthly basis.

VI. Historical Fiscal Statistics

Item	2014	2015	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$1.714	\$1.853	\$2.604
Municipal Purposes tax levy	\$145,302,249	\$148,208,294	\$174,293,125
Municipal Open Space tax levy	\$0	\$0	\$0
Total general appropriations	\$245,725,734	\$252,613,745	\$283,222,719
2. Cash Status Information			
% Of current taxes collected	93.89%	92.85%	%
% Used in computation of reserve	95.19%	94.19%	93.42%
Reserve for uncollected taxes	\$10,922,467	\$13,556,033	\$16,813,709
Total year end cash surplus	\$1,933,102	\$274,231	
Total non-cash surplus	\$943,344	\$133,719	
Year end deferred charges	\$800,000	\$4,395,010	
3. Assessment Data			
Assessed value (as of 7/1)	\$8,179,281,052	\$5,674,570,600	\$5,674,570,600
Average Residential Assessment	\$305,679	\$192,631	\$192,631
Number of tax appeals granted	5,404	277	
Amount budgeted for tax appeals	\$0	\$0	\$0
Refunding bonds for tax appeals	\$3,300,000	\$0	\$0
4. Full time Staffing Levels			
Uniformed Police - Staff Number	399	403	403
Total S&W Expenditures	\$41,582,209	\$41,998,031	\$45,153,144
Uniformed Fire - Staff Number	331	340	340
Total S&W Expenditures	\$30,460,624	\$30,040,719	\$33,853,335
All Other Employees - Staff Number	805	834	1101
Total S&W Expenditures	\$25,689,585	\$26,087,371	\$30,011,847
5. Impact of Proposed Tax Levy			
			Amount
Current Year Taxable Value			5,674,570,600
Introduced Tax Levy			174,293,125
Proposed Municipal Tax Rate		Average Res. Value (#4 above)	192,631
Current Year Taxes on Average Residential Value (#4 above)			7,913
Prior Year Taxes on Average Residential Value			8,865
Proposed Increase in average residential taxes			(952)

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment 2015

B. Proposed Budget –Appropriation Cap Information

	Yes	No
Item		
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	x	
3.5%		
2. Amount of appropriation cap bank available going into this year		
\$7,767,356		
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
\$		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Health Benefits	42,415,269	48,333,722	5,918,453
Police S&W	41,998,031	45,153,144	3,155,113
Fire S&W	30,040,719	33,853,335	3,812,616
Debt Service	11,894,877	15,521,630	3,626,753
Reserve for Uncollected Taxes	13,556,033	16,813,709	3,257,677
DPW S&W	11,268,483	12,447,509	1,179,026

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

Department/Agency	Position	Number	Dollar Amount
	NONE		

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	148,208,294	79,405,541	25,000,000	108,281,322	145,673,409
Second year	151,034,240	77,423,485	23,000,000	106,681,105	143,520,600
Third year	163,507,865	71,029,662	22,370,000	108,998,327	147,539,200

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	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
	FY2012	FY2010	FY2011	FY2011
Year of last salary increase				
Average percentage increase	2%	3.75%	3.5 & 4.0%	4%
Last contract settlement date	3/11	7/09	8/08	
Contract expiration date	6/30/2012	6/30/2011	3/30/2011	

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)				
Furloughs were implemented during SFY 2011 and SFY 2012. The benefits derived produced insignificant cost savings and major productivity disruptions.				
Wage Freezes (describe below)				
The City has presented this element of cost savings as part of the contract negotiation process for non-uniformed personnel, pertaining to the fiscal years 2010-2013.				
Layoffs (describe below)				
There are no layoff plans considered for SFY 2016. During SFY 11, there were massive layoffs of Police and others				

D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by June 30, 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:	6/6/14	
3. On what dates were tax delinquency notices sent out in 2015: Date:	6/1,8,12,19/15	
4. Date of last tax sale: Date:	6/25/15	

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	\$24,900	2015	\$12,835	Anticipated Application Year:	\$12,700
------	----------	------	----------	----------------------------------	----------

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 SFY2015?

De minimis, less than .75%

4. Left Blank Intentionally

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

Fred Tomkins, Donohue,
Girona & Doria

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

2002. Each year RFP solicits
and awards

Application Year:SFY 2016	Municipality: Paterson	County: Passaic
----------------------------------	-------------------------------	------------------------

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	TBD	Review in council committee
Fire Battalion Chiefs	6/30/2010	Ongoing negotiations
Fire Captains	6/30/2010	Ongoing negotiations
Deputy Fire Chiefs	6/30/2010	Ongoing negotiations
Paterson Firefighters Association	6/30/2011	Ongoing negotiations
White Collar Supervisors Local 3474A	6/30/2014	N/A
DPW Blue Supervisors Local 3474	6/30/2014	Preliminary discussions
DPW Blue Local 2272	6/30/2014	Preliminary discussions
Free Public Library Local 3474B	6/30/2011	Mediations scheduled 11/4, 11/14
Free Public Library Local 2903	6/30/2014	Preliminary discussions
White Collar Police Civilians, Municipal Court Employees Local 3724	6/30/2014	Preliminary discussions
Division of Health Employees' Assoc. 430	6/30/2014	Preliminary discussions
Police Motor Pool Local 76B	6/30/2014	Preliminary discussions
Crossing Guards Local 74 (SEIU)	6/30/2014	Preliminary discussions
Police Chief Contract	TBD	Draft memorandum under review
Teamsters Local 97 Law Department	TBD	Preliminary Discussions

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
ASPEN HAMILTON	4A	82,953	3,737,800	153,549	0.0850 x Revenue
BROOKS SLOATE	15F	155,000	11,760,000	483,101	0.10 x Shelter Rent
COLT ARMS	15F	204,654	22,000,000	903,760	0.15 x Shelter Rent
CONGDON MILL	15F	81,592	3,736,200	153,483	0.10 x Revenue
COOKE BLDNG ASSOC	4B	15,377	5,851,200	240,367	0.0628 x Shelter Rent
FEDERATION APTS	15F	172,547	12,820,000	526,646	0.15 x Shelter Rent
GOV PAT TOWERS I & II	15F	293,594	10,411,000	427,684	0.15 x Shelter Rent
GOV PAT TOWERS III	15F	157,671	9,004,500	369,905	0.15 x Shelter Rent
RIESE-MADISON PARK	15F	74,031	5,027,900	206,546	0.0628 x Revenue
I.N.C.C.A. CARROLL ST	15F	149,796	9,800,000	402,584	0.15 x Shelter Rent
I.N.C.C.A. TRIANGLE VIL	15F	157,425	14,561,600	598,191	0.0628 x Revenue
MARTIN DE PORRES	15F	198,282	4,160,000	170,893	0.0628 x Revenue
504 MADISON AVE APT	15F	141,673	6,885,400	282,852	0.15 x Revenue
PATERSON HOUSING AUTHORITY	15C	52,564	151,022,080	6,203,987	0.10 x Shelter Rent
GREAT FALLS	15F	210,000	7,928,200	325,690	0.08 x Revenue
446-460 E 19TH ST	15F	18,195	2,985,900	122,661	0.085 x Shelter Rent
SHELTERING ARMS	15F	18,197	34,730,500	1,426,729	0.05 x Revenue
BELMONT MCBRIDE TWR	15F	22,430	4,605,300	189,186	0.05 x Shelter Rent
N MAIN SCATTERED	15F	24,032	8,973,200	368,619	0.063 x Shelter Rent
HOPE '98 BEECH ST	15C	29,173	2,304,800	94,681	0.063 x Shelter Rent
HOPE '98 VAN HOUTEN	15F	13,902	4,030,200	165,561	0.063 x Shelter Rent
RISING DOVE	15D	28,528	5,076,100	208,526	0.15 x Shelter Rent
BELMONT 2007	15C	15,278	4,954,300	203,523	0.10 x Revenue
HOPE '99 CHRISTOPHER HOPE	15F	112,501	1,721,000	70,699	0.08 x Shelter Rent
200 GODWIN	15F	24,546	6,093,600	250,325	0.05 x Shelter Rent
GARRET HEIGHTS	15F	448,980	29,488,900	1,211,404	2% Cost Basis

X. Service Delivery

List all services that the municipality contracts to another organization: i.e., shared services with another government agency, including formal and informal shared services, memberships in cooperative purchasing program, private (commercial), or non-profit organization.

Service	Name of Contracted Entity	Estimated Amount of Contract	Year Last Negotiated (as applicable)
Sewer manhole frame covers	Morris County Cooperative Pricing	\$41,654.61	2013
Vehicles	Cranford Police Cooperative Pricing System	\$156,396.00	2013
Rock salt	Passaic County	\$32,500.00	2014
Calcium chloride	Passaic County	\$5,604.00	2014
Garbage collection and disposal	Paterson Housing Authority	\$95,000	2014
Body Cameras	Cooperative Pricing Agreement with the City of Jersey City	To Be Determined	2016
Paterson is the provider of services for the following:	Municipalities:		
Animal control	Haledon	12,000*	2014
	North Haledon	12,000*	2014
	*plus any overtime incurred.		
Ambulance service	Haledon, Prospect Park, Woodland Park, William Paterson University	205,940	2013-2014
Paterson is the provider of services for the following: (continued)			
Public Health Administration	Hawthorne, Haledon, North Haledon,	84,444	2015-2016
Health Education	Woodland Park, Totowa & Prospect Park	Combined Total	2015-2016
Paterson provides grant administration services for the Ryan-White Grant Program	For Bergen/Passaic County through various non-profit agencies.	4,161,319	2015/2016

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	2014 Full Time Staffing	2015 Full Time Staffing	\$ Amount to be Saved
1	Imposition of an Overall Furlough (exceptions are to Public Safety Department, uniformed and non-uniformed personnel)	600	2/1/2016			Less than \$1 million

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

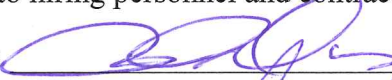
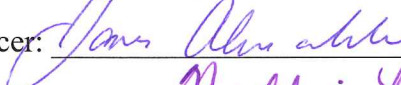

Rank Order	Service	Cost Savings	Impact on Services
2	General Layoff	\$7M	The layoffs would be enforced on non-uniformed personnel due to constraints of grant agreements. The number of positions, with an average annual salary of \$30,000 would require the City to cut 233 for a full year, or 466 for a half year. Imputing the costs of self funded unemployment insurance would add 50 or 100 employees, respectively, bringing the required minimum layoff positions to 283 or 566. The impact on services would be chaotic and compromise essential services, such as public health, welfare and safety.

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	


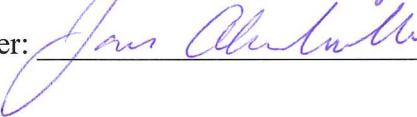
XIII. Certification of Past Compliance for Municipalities Currently Operating Under a Transitional Aid MOU:

The undersigned certify that the municipality is in substantial compliance with the conditions and requirements of the 2015MOU 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:  Date: _____
 Chief Financial Officer:  Date: 11/25/15
 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 Financial Officer:  Date: 11/25/15

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: *James Alan ...* Date: *11/25/15*
Chief Administrative Officer: *Nellie You* Date: _____