

NEW ISSUE - BOOK-ENTRY ONLY**RATINGS: See "RATINGS" herein**

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Tax-Exempt Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, such interest will be included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that interest on the Taxable Bonds (as defined herein) is not excluded from gross income for Federal income tax purposes. Bond Counsel is also further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds (as defined herein) and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

\$71,135,000**CITY OF JERSEY CITY****IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY****QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014****consisting of****\$18,580,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A****consisting of****\$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A****\$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A****and****\$52,555,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2014B****consisting of****\$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B****\$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B****(Non Callable)****Dated: Date of Delivery****Due: As shown on the inside cover**

The \$71,135,000 Qualified General Obligation Refunding Bonds, Series 2014, consisting of (i) \$18,580,000 Qualified General Obligation Refunding Bonds, Series 2014A, consisting of (a) \$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A (the "Qualified General Improvement Refunding Bonds") and (b) \$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A (the "Qualified Water Improvement Refunding Bonds" and together with the Qualified General Improvement Refunding Bonds, the "Tax-Exempt Bonds"), and (ii) \$52,555,000 Qualified General Obligation Refunding Bonds, Taxable Series 2014B, consisting of (a) \$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified Public Improvement Refunding Bonds") and (b) \$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified School Refunding Bonds" and together with the Taxable Qualified Public Improvement Refunding Bonds, the "Taxable Bonds") (the Tax-Exempt Bonds and the Taxable Bonds shall be hereinafter collectively known as the "Bonds") are general obligations of the City of Jersey City, in the County of Hudson, State of New Jersey (the "City") and are secured by the full faith and credit of the City for the payment of principal thereof and interest thereon. The Bonds, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the principal thereof and the interest thereon without limitation as to rate or amount.

The Bonds will be issued in the form of one certificate for the aggregate principal amount thereof maturing in each year for each series and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple of \$1,000 in excess thereof. See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will in turn remit such payments to the owners of beneficial interest in the Bonds. Principal of the Tax-Exempt Bonds is payable on August 1 in each of the years set forth on the inside front cover page hereof. Interest on the Tax-Exempt Bonds is payable on February 1 and August 1, commencing February 1, 2015, in each year until maturity. Principal of the Taxable Bonds is payable on September 1 in each of the years set forth on the inside front cover page hereof. Interest on the Taxable Bonds is payable on March 1 and September 1, commencing March 1, 2015, in each year until maturity. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. Manufacturers and Traders Trust Company, New York, New York, or its successor, will serve as the Registrar and Paying Agent for the Bonds (the "Registrar" or "Paying Agent").

The Qualified General Improvement Refunding Bonds, the Qualified Water Improvement Refunding Bonds and the Taxable Qualified Public Improvement Refunding Bonds are entitled to the benefits of the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1, et seq., as amended, which provides that the Treasurer of the State of New Jersey (the "State") is to withhold a portion of State aid payable to the City and forward such amount directly to the Paying Agent for the aforesaid bonds. The Taxable Qualified School Refunding Bonds are entitled to the benefits of the School Qualified Bond Act, N.J.S.A. 18A:24-85 et seq., as amended, which provides that the Treasurer of the State is to withhold a portion of State school aid payable to the City and forward such amount directly to the Paying Agent for the aforesaid bonds. The funds withheld pursuant to the Municipal Qualified Bond Act and the School Qualified Bond Act are subject to appropriation by the State. The Taxable Qualified School Refunding Bonds are also entitled to the benefits and provisions of the New Jersey School Bond Reserve Act. See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds are not subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS - Optional Redemption" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof other than the City.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY** (the "Insurer").



This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including Appendices hereto, to obtain information essential to their making an informed decision.

The Bonds are offered when, as and if issued and subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, and certain other conditions described herein. Certain matters will be passed upon for the Underwriter by its counsel, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey. NW Financial Group, LLC, Hoboken, New Jersey, has acted as financial advisor to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about December 10, 2014.

RBC CAPITAL MARKETS

\$71,135,000
CITY OF JERSEY CITY
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY

QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014
consisting of
\$18,580,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A
consisting of
\$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A
\$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A
and
\$52,555,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2014B
consisting of
\$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B
\$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B

MATURITY SCHEDULE, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS
for

\$18,580,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A
consisting of
\$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A
\$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A

<u>Year</u> <u>(August 1)</u>	<u>Qualified General</u> <u>Improvement</u> <u>Refunding Bonds</u>	<u>Qualified Water</u> <u>Improvement</u> <u>Refunding Bonds</u>	<u>Combined Tax-Exempt</u> <u>Principal Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Numbers**</u>
2015	\$ 180,000	\$ 25,000	\$ 205,000	2.00%	0.43%	101.004%	476576HC0
2017	2,070,000	365,000	2,435,000	4.00	1.00	107.800	476576HD8
2018	2,150,000	380,000	2,530,000	4.00	1.33	109.459	476576HE6
2019	2,240,000	390,000	2,630,000	4.00	1.64	110.504	476576HF3
2020	2,335,000	405,000	2,740,000	4.00	2.00	110.617	476576HG1
2021	2,430,000	425,000	2,855,000	4.00	2.32	110.283	476576HH9
2022	2,530,000	--	2,530,000	5.00	2.59	116.608	476576HJ5
2023	2,655,000	--	2,655,000	5.00	2.78	116.946	476576HK2

MATURITY SCHEDULE, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS
for

\$52,555,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2014B
consisting of
\$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B
\$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B

<u>Year</u> <u>(September 1)</u>	<u>Qualified Taxable</u> <u>Public Improvement</u> <u>Refunding Bonds</u>	<u>Qualified</u> <u>Taxable School</u> <u>Refunding Bonds</u>	<u>Combined Taxable</u> <u>Principal Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Numbers**</u>
2015	\$ 590,000	\$ 565,000	\$ 1,155,000	0.659%	0.659%	100.000%	476576HL0
2016	340,000	5,455,000	5,795,000	1.009	1.009	100.000	476576HM8
2017	340,000	5,510,000	5,850,000	1.558	1.558	100.000	476576HN6
2018	350,000	4,080,000	4,430,000	2.125	2.125	100.000	476576HP1
2019	355,000	3,870,000	4,225,000	2.525	2.525	100.000	476576HQ9
2020	365,000	1,585,000	1,950,000	2.839	2.839	100.000	476576HR7
2021	17,425,000	1,545,000	18,970,000	3.139	3.139	100.000	476576HS5
2022	10,180,000	--	10,180,000	3.286	3.286	100.000	476576HT3

**CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP Numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF JERSEY CITY
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY**

MAYOR

Steven M. Fulop

CITY COUNCIL

Rolando R. Lavarro, Jr., Council President
Joyce Watterman, Councilwoman at Large
Daniel Rivera, Councilman at Large
Frank Gajewski, Ward A Councilman
Khemraj “Chico” Ramchal, Ward B Councilman
Richard Boggiano, Ward C Councilman
Michael Yun, Ward D Councilman
Candice Osborne, Ward E Councilwoman
Diane Coleman, Ward F Councilwoman

CITY OFFICIALS

Robert J. Kakoleski, Business Administrator
Mark Albiez, Mayor’s Chief of Staff
Jeremy Farrell, Corporation Counsel
Anthony Cruz, Director of the Department of Housing, Economic Development and Commerce
Donna L. Mauer, Chief Financial Officer
Robert Byrne, City Clerk

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

FINANCIAL ADVISOR

NW Financial Group, LLC
Hoboken, New Jersey

INDEPENDENT AUDITORS

Donohue, Gironda & Doria
Bayonne, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. The information contained herein has been obtained from the City, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the City or the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the City during normal business hours.

The order and placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields shown on the inside front cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices or yields to dealers and others.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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**OFFICIAL STATEMENT
of the
CITY OF JERSEY CITY
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY**

**\$71,135,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014
consisting of
\$18,580,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A
consisting of
\$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A
\$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A
and
\$52,555,000 QUALIFIED GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES
2014B
consisting of
\$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B
\$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B**

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Jersey City (the "City"), in the County of Hudson (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$71,135,000 Qualified General Obligation Refunding Bonds, Series 2014, consisting of (i) \$18,580,000 Qualified General Obligation Refunding Bonds, Series 2014A, consisting of (a) \$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A (the "Qualified General Improvement Refunding Bonds") and (b) \$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A (the "Qualified Water Improvement Refunding Bonds" and together with the Qualified General Improvement Refunding Bonds, the "Tax-Exempt Bonds"), and (ii) \$52,555,000 Qualified General Obligation Refunding Bonds, Taxable Series 2014B, consisting of (a) \$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified Public Improvement Refunding Bonds") and (b) \$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified School Refunding Bonds" and together with the Taxable Qualified Public Improvement Refunding Bonds, the "Taxable Bonds"). The Tax-Exempt Bonds and the Taxable Bonds shall be hereinafter collectively known as the "Bonds". This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been authorized by the Mayor and City Council to be distributed in connection with the sale of the Bonds and has been executed by and on behalf of the City by the Business Administrator and the Chief Financial Officer.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Bonds. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the City.

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

DESCRIPTION OF THE BONDS

General Description of the Bonds

The Tax-Exempt Bonds shall be dated the date of delivery and will mature on August 1 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Tax-Exempt Bonds shall bear interest from the date of delivery and shall be payable on February 1 and August 1 in each year until maturity, commencing February 1, 2015, at the rates shown on the inside front cover page hereof. The Taxable Bonds shall be dated the date of delivery and will mature on September 1 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Taxable Bonds shall bear interest from the date of delivery and shall be payable on March 1 and September 1 in each year until maturity, commencing March 1, 2015, at the rates shown on the inside front cover page hereof. The Bonds are issuable as fully registered book-entry only bonds in the form of one certificate for each year of maturity of the Bonds of each series in the aggregate principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000 each or any integral multiple of \$1,000 in excess thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co., or any successor or assign, is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the City, or the Paying Agent (as defined herein) directly to Cede & Co. or any successor or assign, as nominee for DTC. Interest on the Tax-Exempt Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on each January 15 and July 15 preceding an interest payment date. Interest on the Taxable Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on each February 15 and August 15 preceding an interest payment date. Manufacturers and Traders Trust Company, New York, New York, or its successor, will serve as the Registrar and Paying Agent for the Bonds (the "Registrar" or "Paying Agent").

Book-Entry Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity for each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales

and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such

Participant and not of DTC nor its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE CITY OR THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry Only System

If the City, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the City will attempt to locate another qualified Securities Depository. If the City fails to find such Securities Depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the City shall notify DTC of the termination of the book-entry only system.

Optional Redemption

The Bonds of this issue are not subject to redemption prior to their stated maturities.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1, *et seq.*, as amended and supplemented (the "Municipal Qualified Bond Act") (as to the Qualified General Improvement Refunding Bonds, the Taxable Qualified Public Improvement Refunding Bonds and the Qualified Water Improvement Refunding Bonds), (iii) the School Qualified Bond Act, N.J.S.A. 18A:24-85 *et seq.*, as amended and supplemented (the "School Qualified Bond Act") (as to the Taxable Qualified School Refunding Bonds), (iv) refunding bond

ordinances (collectively, the "Refunding Bond Ordinance") each duly adopted by the City Council on June 19, 2013, and approved and published as required by law, and (v) a resolution duly adopted by the City Council on October 8, 2014. The Refunding Bond Ordinance has been published in full after final adoption along with the statement that the twenty (20) day period of limitation, within which a suit, action or proceeding questioning the validity of the Refunding Bond Ordinance could be commenced, began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City. The Refunding Bond Ordinance has been approved by resolution(s) of the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") each duly adopted June 12, 2013 and October 8, 2014.

PLAN OF REFUNDING

The Tax-Exempt Bonds are being issued to (A) provide a deposit to one or more escrow funds that, when invested, will be sufficient to (i) advance refund all or a portion of the City's outstanding and callable Qualified General Improvement Bonds, Series 2006A, dated November 2, 2006, namely those bonds maturing on August 1 in the years 2017 through and including 2023 (the "2006 GI Refunded Bonds"), and to call for redemption the 2006 GI Refunded Bonds on August 1, 2016 (the "2006 GI Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2006 GI Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2006 GI Redemption Date; and (ii) advance refund all or a portion of the City's outstanding and callable Qualified Water Improvement Bonds, Series 2006B dated November 2, 2006, namely those bonds maturing on August 1 in the years 2017 through and including 2021 (the "2006 Water Refunded Bonds") and to call for redemption the 2006 Water Refunded Bonds on August 1, 2016 (the "2006 Water Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2006 Water Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2006 Water Redemption Date; and (B) pay certain costs associated with the issuance of the Tax-Exempt Bonds.

The Taxable Bonds are being issued to (A) provide a deposit to one or more escrow funds that, when invested, will be sufficient to (i) advance refund all or a portion of the City's outstanding and callable Qualified Public Improvement Refunding Bonds, Series 2006A, dated March 30, 2006, namely those bonds maturing on September 1 in the years 2021 and 2022 (the "2006 Public Improvement Refunded Bonds") and to call for redemption the 2006 Public Improvement Refunded Bonds on September 1, 2016 (the "2006 Public Improvement Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2006 Public Improvement Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2006 Public Improvement Redemption Date; and (ii) advance refund all or a portion of the City's outstanding and callable Qualified School Refunding Bonds, Series 2005C, dated June 16, 2005, namely those bonds maturing on September 1 in the years 2016 through and including 2021 (the "2005 School Refunded Bonds", and together with the 2006 GI Refunded Bonds, the 2006 Public Improvement Refunded Bonds and the 2006 Water Refunded Bonds, the "Refunded Bonds") and to call for redemption the 2005 School Refunded Bonds on September 1, 2015 (the "2005 School Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2005 School Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2005 School Redemption Date, and (B) pay certain costs associated with the issuance of the Taxable Bonds.

A portion of the proceeds of the Bonds will be deposited upon delivery thereof in one or more escrow accounts for the Refunded Bonds (the "Escrow Account") with Manufacturers and Traders Trust Company, New York, New York (the "Escrow Agent"), and such proceeds will be invested in direct non-callable obligations of the United States of America (the "Government Obligations"), the

principal of which, together with investment earnings thereon and cash on deposit in the Escrow Account, if any, will be sufficient to pay the principal of and interest on the Refunded Bonds.

The mathematical calculation of the adequacy of the deposit to provide for the payment of the Refunded Bonds and the yield of the Bonds and the securities to be held in the Escrow Account will be verified by Donohue, Gironde & Doria, Bayonne, New Jersey, at the time of delivery of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds:

	<u>Tax-Exempt Bonds</u>	<u>Taxable Bonds</u>
Sources of Funds:		
Principal Amount of Bonds	\$18,580,000.00	\$52,555,000.00
Original Issue Premium	<u>2,162,140.25</u>	<u>0.00</u>
Total Sources of Funds	<u>\$20,742,140.25</u>	<u>\$52,555,000.00</u>
Uses of Funds:		
Deposit to Escrow Funds	\$20,578,269.76	\$52,113,386.38
Costs of Issuance ⁽¹⁾	<u>163,870.49</u>	<u>441,613.62</u>
Total Uses of Funds	<u>\$20,742,140.25</u>	<u>\$52,555,000.00</u>

⁽¹⁾ Includes, *inter alia*, underwriter's discount, legal, printing, escrow agent, financial advisory, verification agent, credit ratings, bond insurance and miscellaneous fees and expenses.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM", "Insurer" or "Bond Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$492.2 million, \$38.0 million and \$454.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM

assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RISKS ASSOCIATED WITH BOND INSURANCE

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default in the payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "RATINGS" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City nor Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Bonds are direct obligations of the City and, unless paid from other sources, the City is required by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

The City is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment of its general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State, or any county, municipality or any political subdivision thereof, other than the City.

Municipal Qualified Bond Act

In addition to being secured by the pledge of the City's full faith and credit, the Qualified General Improvement Refunding Bonds, the Qualified Water Improvement Refunding Bonds and the Taxable Qualified Public Improvement Refunding Bonds are entitled to the benefits of the Municipal Qualified Bond Act. Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid allocated to the City, in amounts sufficient to pay debt service on such qualified bonds, is to be withheld by the State Treasurer and forwarded to the Paying Agent on or before the principal and interest payment dates for such qualified bonds for deposit into accounts established for the purpose of paying debt service on such qualified bonds.

Pursuant to the provisions of the Municipal Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the Paying Agent, maturity schedule, interest rate or rates and dates of payment of debt service on any qualified bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such bonds from the amount of business and personal property tax replacement revenues, State urban aid, State revenue sharing, gross receipts tax revenues (now known as "energy receipts" tax revenues), municipal purposes tax assistance fund distributions and certain other funds appropriated as State aid payable to the City and not dedicated to a specific purpose by the State (the "municipal qualified revenues") an amount which will be sufficient to pay debt service on such bonds as it becomes due. Municipal qualified revenues do not include Aid to Distressed Cities unless such amounts are included as State aid by the Director of the Local Finance Board.

The Municipal Qualified Bond Act provides that the municipal qualified revenues so withheld, and paid or to be paid to and held by the Paying Agent, are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the City other than the payment of debt service on any such qualified bonds of the City.

The Municipal Qualified Bond Act does not relieve the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on any such qualified bonds. However, such budgeted amounts may be applied to the payment of operating expenses of the City for the then current year to the extent that appropriated amounts have been withheld from the municipal qualified revenues payable to the City and have been forwarded to the Paying Agent. Such budgeted amounts must be used to pay debt service becoming due on any

such qualified bonds of the City issued for municipal purposes in any year in which sufficient municipal qualified revenues are not appropriated.

The State has covenanted in the Municipal Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of municipal qualified revenues and payment of such revenues to the Paying Agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such revenues which is prior in time or superior in right to the payment of debt service on such qualified bonds.

The Municipal Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such amounts or in the manner, time or amount thereof. Further, the amount payable to the Paying Agent does not constitute an additional source of revenues available to the City.

The City received a total of \$63,844,685 in municipal qualified revenues appropriated by the State to the City in the calendar year ending December 31, 2013, \$63,850,096 for the calendar year ending December 31, 2012 and \$63,844,685 for the calendar year ending December 31, 2011. For the calendar year ending December 31, 2013, the City's total debt service on bonds entitled to the benefits of the Municipal Qualified Bond Act was \$48,427,070, \$42,925,391 for the calendar year ending December 31, 2012 and \$41,693,189 for the calendar year ending December 31, 2011. State aid is distributed by the State to the City on a "phased aid" schedule.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Qualified Revenues					
Energy Receipt Tax	\$51,682,679	\$50,323,109	\$47,991,697	\$17,083,789	\$34,736,189
Consolidated Municipal Property Tax Relief Act	<u>12,162,006</u>	<u>13,526,987</u>	<u>15,852,988</u>	<u>46,439,075</u>	<u>42,604,438</u>
Total Qualified Revenues	<u>\$63,844,685</u>	<u>\$63,850,096</u>	<u>\$63,844,685</u>	<u>\$63,522,864</u>	<u>\$77,340,627</u>
Debt Service					
General Improvement Bonds	\$43,172,075	\$37,404,432	\$35,956,272	\$16,564,209	\$30,830,103
Water Bonds:	<u>5,254,995</u>	<u>5,520,939</u>	<u>5,736,917</u>	<u>4,764,884</u>	<u>5,868,779</u>
Total Debt Service	<u>\$48,427,070</u>	<u>\$42,925,371</u>	<u>\$41,693,189</u>	<u>\$21,329,093</u>	<u>\$36,698,882</u>
Coverage Ratio	1.32	1.49	1.54	2.98	2.11

Source: Derived from the fiscal year ended 2010 Audited Financial Statements, transition year ended December 31, 2010 and calendar years ended 2011-2013 Audited Financial Statements.

The City has outstanding bonds, notes and loans for municipal purposes which are not entitled to the benefits of the Municipal Qualified Bond Act. The debt service for the calendar year ending December 31, 2013 was \$4,781,723 for such bonds, \$5,543,674 for such notes and \$527,833 for such loans, and for calendar year ending December 31, 2012 was \$4,153,674 for such bonds, \$7,996,577 for such notes and \$606,233 for such loans. The City may also be responsible for the payment of debt service on the bonds issued by certain independent authorities.

Certain outstanding issues of bonds of the City are entitled to the benefits of the Municipal Qualified Bond Act and certain School Bonds of the City are entitled to the benefits of the School Qualified Bond Act, as described below.

School Qualified Bond Act

In addition to being secured by the pledge of the City's full faith and credit, the Taxable Qualified School Refunding Bonds are entitled to the benefits of the School Qualified Bond Act (such bonds being called "School Qualified Bonds"). Pursuant to the School Qualified Bond Act, a portion of certain State school aid (the "School Qualified Revenues") allocated to the City's school district in amounts sufficient to pay debt service on the School Qualified Bonds, is to be withheld by the State Treasurer and forwarded to the Paying Agent for such qualified bonds on or before the principal and interest payment dates for such qualified bonds for deposit into accounts established for the purpose of paying debt service on such School Qualified Bonds.

Pursuant to the provisions of the School Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the Paying Agent, maturity schedule, interest rate or rates and dates of payment of debt service on any School Qualified Bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such qualified bonds from the amount of State school aid payable to the school district an amount which will be sufficient to pay debt service on such qualified bonds as it becomes due.

The School Qualified Bond Act provides that the State school aid so withheld and paid, or to be paid, to and held by the Paying Agent are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the school district or the City other than the payment of debt service on any such School Qualified Bonds of the City issued for school purposes.

The School Qualified Bond Act does not relieve the school district or the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on any such School Qualified Bonds. However, such budgeted amounts may be applied to the payment of operating expenses of the school district for the then current year to the extent that appropriated amounts have been withheld from the State school aid payable to the school district and have been forwarded to the Paying Agent. Such budgeted amounts must be used to pay debt service becoming due on any such School Qualified Bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act in any year in which sufficient State school aid is not appropriated.

The State has covenanted in the School Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of State school aid and payment of such monies to the Paying Agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such monies which is prior in time or superior in right to the payment of debt service on such qualified bonds.

With respect to the Qualified School Bonds, the School Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such amounts or in the manner, time or amount thereof. Further, the amount payable to the Paying Agent does not constitute an additional source of revenue available to the City.

For the year ending December 31, 2013, the City's total debt service on bonds entitled to the benefits of the School Qualified Bond Act was \$12,190,025, and for the year ending December 31, 2012, the City's total debt service on bonds entitled to the benefits of the School Qualified Bond Act was \$12,574,607. The City received approximately \$5,475,816 in State school aid for its year ending December 31, 2013.

SCHOOL QUALIFIED REVENUES/DEBT SERVICE COVERAGE RATIOS

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	June 30, 2010
Qualified School Revenues	\$419,644,829	\$475,981,648	\$417,859,150	\$448,968,926	\$472,294,327
Qualified School Debt Service	12,190,025	12,574,607	14,755,592	7,557,647	15,920,540
Coverage Ratio	34.43	37.85	28.52	59.41	29.67

New Jersey School Bond Reserve Act

All school bonds, including the Taxable Qualified School Refunding Bonds, are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). Amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Taxable Qualified School Refunding Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States Government or obligations guaranteed by the full faith and credit of the United States Government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the City to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the district, county or municipality and shall not obligate the State to make, nor entitle the district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall

be applied by the State Treasurer to satisfy the obligation of the district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

NO DEFAULT

The City has never defaulted in the payment of principal of, redemption premium, if any, and interest on any bonds or notes or other obligations of the City, nor are any payments of principal of or interest on the City's indebtedness past due.

MARKET PROTECTION

The City anticipates issuing notes and bonds in December 2014, including (a) \$34,325,935 in Notes, consisting of \$2,200,000 Refunding Notes (Tax Appeal Refunding Notes), Series 2014E, \$23,747,992 Special Emergency Notes, Series 2014F, and \$8,377,943 Bond Anticipation Notes, Series 2014G and (b) \$34,714,000 General Improvement Bonds, Series 2014.

CITY OF JERSEY CITY

The City is New Jersey's second largest municipality with a population of 247,597 according to the United States Department of Commerce's 2010 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York - Northern New Jersey metropolitan area.

The City's land area is 15.8 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multi-family development over the past ten years. The City is connected to New York City by the Holland Tunnel and the PATH railroad tubes and is within ten miles of Newark International Airport and the container and cargo facilities of Port Newark-Elizabeth. The City is located in the County of Hudson. The City's size and current development activity cause it to dominate the economy of Hudson County (the Jersey City labor Area). The City also serves as the seat of the County government. Of the approximately 275,000 persons employed in the County, approximately 43% are employed in Jersey City. For additional information regarding the City and its finances, see "APPENDIX A - Certain General Information Concerning the City of Jersey City, in the County of Hudson, State of New Jersey".]

RECENT FINANCIAL RESULTS AND FINANCIAL OUTLOOK

Financial Overview

Appendix A contains information relative to the financial operations of the City. Over the last few years, the City's financial position has improved due to structurally balanced operations and strong prospects for continued tax base growth. The City has benefited from successful efforts to raise additional recurring revenues while reducing personnel related expenditures. The 2014 budget decreased by \$7,085,845, due to reduced school debt and deferred charges. Further, ongoing growth in PILOT revenues and redevelopment strengthened the City's financial position.

The calendar year that ended December 31, 2013, resulted in an excess of \$12,410,182 in operations and the City's audited fund balance was \$38,733,517. The calendar year that ended December 31, 2012 resulted in an excess of \$7,946,247 in operations and the City's audited fund balance was \$33,530,567.

The City restructured its debt on March 30, 2006 that provided Fiscal Year 2006 debt service relief of \$18 million and another approximately \$69 million in Fiscal Years 2007-2011 combined, and is intended to produce approximately level debt service through Fiscal Year 2022.

Financial Results

2014 Results. The City's budget for the 2014 Calendar year was introduced on March 12, 2014 and adopted on September 23, 2014. The Municipal Tax levy decreased to \$217,414,170. The City's budget realized \$68,569,897 in State Aid.

2013 Results. The City's budget for the 2013 Calendar year was introduced on February 27, 2013 and adopted on July 17, 2013. The Municipal Tax levy increased to \$217,730,857. The City's budget realized \$69,336,338 in State Aid.

2012 Results. The City's budget for the 2012 Calendar year was introduced on February 22, 2012 and adopted on July 31, 2012. The Municipal Tax levy increased to \$208,175,697. The City's budget realized \$69,509,094 in State Aid.

2011 Results. The City's budget for the 2011 Calendar year was introduced on March 9, 2011 and adopted on September 27, 2011. The Municipal Tax levy increased to \$201,000,000. The City's budget realized \$70,488,976 in State Aid.

2010 Results. The City's budget for the 2010 Fiscal year was introduced on January 13, 2010 and adopted on April 21, 2010. The Municipal tax levy increased to \$195,000,000. The City's budget realized \$99,778,008 in State aid. The City transitioned from a State fiscal year to a calendar fiscal year budget. The 2010 Transition year budget was adopted on September 29, 2010. The 2011 Calendar Year Budget was introduced on March 9, 2011 and realized \$66,933,632 in State Aid.

2009 Results. The City's budget for the 2009 Fiscal year was introduced on February 9, 2009 and adopted on May 7, 2009. The Municipal tax levy remained stable at \$151 million. The City's budget realized \$92,456,527 in State Aid.

2008 Results. The City's budget for the 2008 Fiscal year was introduced on March 12, 2008 and adopted on April 18, 2008. The Municipal tax levy increased from \$140 million to \$151 million. The City's budget realized \$99,438,402 in State Aid.

2007 Results. The City's budget for the 2007 Fiscal year was introduced on September 13, 2006 and adopted on April 25, 2007. The Municipal tax levy increased from \$135 million to \$140 million. The City's budget realized \$91,583,040 in State Aid.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial or sinking fund installments. A five percent (5%) cash down payment is generally required to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director (as defined herein) within six (6) months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies and commissions.

The annual audit report is filed with the City Clerk and is available for review during business hours.

Debt Limits (N.J.S.A. 40A:2-6)

The authorized bonded indebtedness of a municipality in the State is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its equalized valuation basis. The equalized valuation basis of a municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

On December 31, 2013, the City's percentage of statutory net debt was 2.60% and was comprised of the following:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Purposes	\$584,714,496	\$108,974,528	\$475,739,968
School Purposes	\$61,436,027	\$61,436,027	\$0
Other Public Body Debt Guaranteed by the City	\$206,156,132	\$206,156,132	\$0

Exceptions to Debt Limits - Extensions of Credit (N.J.S.A. 40A:2-7)

The debt limit of the City may be exceeded with the approval of the Local Finance Board, a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the City to meet its obligations or to provide essential services, or makes other statutory determinations, approval may be granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Local Finance Board to fund certain bonds for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Short-Term Financing

The City may issue short term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes, which are general obligations of the City, may be issued for a period not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of outstanding notes that may be renewed is decreased by the minimum amount required for the first year's principal payment of bonds in anticipation of which such notes are issued.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law") the City is required to have a balanced budget in which debt service is included in full for each fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. The City must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are regulated by law and must be certified by the Director prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director of the Division (the "Director") is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of City revenues are real estate taxes, State Aid, Federal Aid and miscellaneous revenues.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred twenty (120) days after the close of the fiscal year.

Real Estate Taxes

The general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 delineates anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

Section 41 of the Local Budget Law provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year."

The provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

<u>Cash Required from Taxes to Support Local Municipal Budget and Other Taxes</u>	=	Amount to be
Prior Year's Percentage of Current Tax Collection (or Lesser %)		Raised by Taxation

Miscellaneous Revenues

Section 26 of the Local Budget Law provides: "no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law was amended and became effective on July 7, 2004. The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15b restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve

increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division has advised that counties and municipalities must comply with both budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the “CAP” law, however, limits the obligation of the City to levy *ad valorem* taxes upon all taxable property within the boundaries of the City to pay debt service on bonds and notes.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, severance liabilities, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Fiscal Year

In 2010, the City changed its fiscal year from a June 30th year end to a December 31st year end. The City adopted a transition year budget for the period July 1, 2010 through December 31, 2010 and introduced a full calendar year budget for the period commencing January 1, 2011 and in each calendar year thereafter.

Budget Process

Primary responsibility for the City's budget process lies with the City Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the City operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the City may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

TAX INFORMATION ON THE CITY

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the City, the school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special district.

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, school district or county purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, school district or county purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, school district or county purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Corporation Counsel (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of Chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets

forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

DEBT INFORMATION ON THE CITY

Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the City must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

TAX MATTERS

Federal Income Tax Treatment of the Tax-Exempt Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Tax-Exempt Bonds in order for the interest on the Tax-Exempt Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The City will represent in its tax certificate relating to the Tax-Exempt Bonds, that it expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code described above, interest on the Tax-Exempt Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations; such interest on the Tax-Exempt Bonds will, however, be included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations.

Additional Federal Income Tax Consequences Relating to Tax-Exempt Bonds

Prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Tax-Exempt Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Tax-Exempt Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Federal Income Tax Treatment of the Taxable Bonds

In the opinion of Bond Counsel to the City, under existing statutes, regulations, rulings and court decisions, interest on the Taxable Bonds is not excluded from gross income for Federal income tax purposes.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale thereof, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the exclusion or inclusion, as applicable, from gross income of interest on the Bonds for Federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the Bonds.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Proposals for Legislative Change

From time to time, there are Presidential proposals, proposals of various Federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the Federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing, if applicable to the particular series, the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. Such legislation could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing, if applicable to the particular series, the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented

or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds.

LITIGATION

To the knowledge of the City's Corporation Counsel, Jeremy Farrell, Esq. (the "Corporation Counsel"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes to pay the principal of or the interest on the Bonds, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the Corporation Counsel and except as set forth in Appendix A under the section entitled "Pending Litigation", no litigation is presently pending or threatened that, in the opinion of the Corporation Counsel, would have a material adverse impact on the financial condition of the City if adversely decided. A Certificate to such effect will be executed by the Corporation Counsel and delivered to the Underwriter at the closing.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed on for the City by its Corporation Counsel.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the City, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

The City has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds, or that the Bankruptcy Code could not be amended after the date hereof.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data on the City and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

The City has previously failed to file, in a timely manner, its Annual Reports in accordance with the Rule for the fiscal years ended June 30, 2009 and 2010, the transition year ended December 31, 2010, and the calendar years ended December 31, 2011, 2012 and 2013. Generally, the City had previously filed, in a timely manner, the required audited financial statements, but did not timely file all required operating data for the periods referenced above. Additionally, the City had failed to file, in a timely manner, certain material event notices relating to rating changes of the City, the Municipal

Qualified Bond Act, the School Qualified Bond Act, the School Bond Reserve Act and various bond insurance companies. Such notices were filed on November 13, 2014. Further, the City recently determined that it inadvertently failed to comply with prior undertakings to provide its Annual Report for the fiscal years ended June 2009 and 2010, the transition year ended December 31, 2010, and the calendar year ended December 31, 2013 with respect to bonds issued by the Jersey City Municipal Utilities Authority (the "JCMUA Undertaking"). However, portions of such Annual Reports were filed with the MSRB with respect to the City's bonds. The City has since corrected this oversight by linking the required Annual Reports to the JCMUA Undertaking. The City has implemented certain procedures to file its Annual Reports on a more consistent and timely basis in future years and is now current with all required filings under its prior continuing disclosure undertakings. The City's implementation of procedures to file its Annual Reports also includes the continued utilization of Digital Assurance Certification, LLC (DAC) to assist with the City's disclosure requirements.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the City, including the Bonds, and such Bonds are authorized security for any and all public deposits.

FINANCIAL ADVISOR

NW Financial Group, LLC, Hoboken, New Jersey has served as Financial Advisor to the City with respect to the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC, New York, New York (the "Underwriter"). The Purchase Contract between the City and the Underwriter for the Bonds (the "Bond Purchase Contract") provides that all of the Bonds will be purchased if any are purchased. The purchase price for the Tax-Exempt Bonds shall be \$20,667,820.25 (representing the par amount of the Tax-Exempt Bonds in the amount of \$18,580,000.00, plus an original issue premium in the amount of \$2,162,140.25, minus an Underwriter's discount in the amount of \$74,320.00). The purchase price for the Taxable Bonds shall be \$52,344,780.00 (representing the par amount of the Taxable Bonds in the amount of \$52,555,000.00, minus an Underwriter's discount in the amount of \$210,220.00). The obligation of the Underwriter to make such purchase is subject to the terms and conditions set forth in the Bond Purchase Contract. The Underwriter may, from time to time, change the initial offering prices of any maturities of the Bonds, as set forth on the inside front cover page of this Official Statement, without prior notice. In addition, the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside front cover page hereof.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Donohue, Gironde & Doria, Bayonne, New Jersey will verify, from the information provided by the Underwriter on behalf of the City, the mathematical accuracy as of the date of the closing on the Bonds of: (a) the computations of the adequacy of the escrow to advance refund the Refunded Bonds, (b) the computation of the yields on the Bonds and the treasury obligations, and (c) any other computations required by the Bond Purchase Contract. Such computations will be based solely upon assumptions and information supplied by the Underwriter on behalf of the City. Donohue, Gironde & Doria, Bayonne, New Jersey will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make a study or evaluation of the assumptions and information upon which the computations are based and, accordingly, will express no opinion on the assumptions provided to it.

RATINGS

The City has requested that the Bonds be rated by and has furnished information to Moody's Investors Service, Inc. ("Moody's"), including information that may not be included in this Official Statement. Additionally, the Bonds have been assigned a rating of "AA" by Standard & Poor's Ratings Services ("S&P" and together with Moody's, the "Rating Agencies"), with the understanding that upon delivery of the Bonds, a municipal bond insurance policy will be issued by BAM.

The Bonds have been assigned an underlying general obligation rating of "A1" by Moody's.

The Qualified General Improvement Refunding Bonds, the Taxable Qualified Public Improvement Refunding Bonds and the Qualified Water Improvement Refunding Bonds have also been assigned a rating of "A3" by Moody's based upon the Municipal Qualified Bond Act.

The Taxable Qualified School Refunding Bonds have also been assigned a rating of "A3" by Moody's based upon the School Qualified Bond Act.

An explanation of the significance of such rating may be obtained only from the Rating Agencies. The ratings reflect only the views of the Rating Agencies. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the particular rating agency. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be lowered or withdrawn entirely, if in the Rating Agencies' judgment, circumstances so warrant. Such action, any downward change in, or withdrawal of such rating, may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the rating or to oppose any such revision or withdrawal.

PREPARATION OF OFFICIAL STATEMENT

The firm of Donohue, Gironde & Doria, Bayonne, New Jersey, Certified Public Accountants and Registered Municipal Accountants, assisted in the preparation of information contained in this Official Statement, and takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report.

All information has been obtained from sources which Donohue, Gironde & Doria considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

NW Financial Group, LLC has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

Archer & Greiner P.C., has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Donna L. Mauer, CMFO, Chief Financial Officer, City of Jersey City, 280 Grove Street, Jersey City, New Jersey 07302, (201) 547-5042.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the City since the date thereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

CITY OF JERSEY CITY,
IN THE COUNTY OF HUDSON,
STATE OF NEW JERSEY

/s/ Robert J. Kakoleski

Robert J. Kakoleski
Business Administrator

/s/ Donna L. Mauer

Donna L. Mauer
Chief Financial Officer

Dated: November 20, 2014

APPENDIX A

**CERTAIN GENERAL INFORMATION CONCERNING
THE CITY OF JERSEY CITY,
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY**

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THE CITY OF JERSEY CITY

The legislative power of the City of Jersey City (the "City") is vested in the Municipal Council (the "Council"), which is composed of nine members, six of whom are elected from the City's six wards and three of whom are elected at large. The Council meets regularly and operates in accordance with the Optional Municipal Form of Government, Section 40:69A-1 *et seq.*, of the New Jersey statutes. The Council members serve four-year terms beginning on the first day of July following their election. Their current term commenced July 1, 2013. The current members of the Council, their titles and the date they first took office are shown on the following table:

MUNICIPAL COUNCIL

<u>Name</u>	<u>Title</u>	<u>Date First In Office</u>
Rolando R. Lavarro	Council President	November 14, 2011
Daniel Rivera	Councilman-at-Large	July 1, 2013
Joyce Watterman	Councilwoman-at-Large	July 1, 2013
Frank Gajewski	Ward A Councilman	July 1, 2013
Khemraj "Chico" Ramchal	Ward B Councilman	July 1, 2013
Richard Boggiano	Ward C Councilman	July 1, 2013
Michael Yun	Ward D Councilman	July 1, 2013
Candice Osborne	Ward E Councilwoman	July 1, 2013
Diane Coleman	Ward F Councilwoman	November 28, 2012

The executive power of the City is exercised by the Mayor, who is responsible for administering the charter and ordinances and general laws of the City. The Mayor is responsible for preparing and administering the City's annual expense and capital budgets. The Mayor supervises all of the departments in the City and reports annually to the Council and the public the results of the previous year's operations. The Mayor has the power to approve ordinances adopted by the Council or to return them to the Council with a statement of his objections. A vote by two-thirds of the members of the Council may override the Mayor's veto. The Mayor may attend meetings of the Council and may take part in discussions. The Mayor has no vote in the proceedings of the Council except to fill a vacancy in the Council, in which case he may cast the deciding vote. The Mayor appoints the Business Administrator and the Directors of nine City departments with the advice and consent of the Council. In the event that the Mayor is unable to fulfill his responsibilities under the applicable provisions of the New Jersey Statutes and the Jersey City Charter, the Council is required to appoint a Mayor to serve until the next election. There are no term limits for the office of Mayor or for any Council member.

Administration

Following are biographical sketches of the City officials with responsibility for financial management:

STEVEN M. FULOP, Mayor

Steven Michael Fulop, 36, a democrat, is the 49th and current Mayor of Jersey City, New Jersey. He is the youngest mayor in the country of a city with a population larger than 250,000. Mayor Fulop was elected Mayor on May 14, 2013, defeating a three term incumbent mayor and the political establishment. Prior to serving as Mayor, Steven Fulop served as the Ward E Councilman of the City for eight years.

A first generation American, Mayor Fulop grew up in an immigrant family in Edison, New Jersey. His father owned a delicatessen in Newark, where Mayor Fulop often worked. His mother, the daughter of Holocaust survivors, worked in an immigration services office helping others gain citizenship.

Mayor Fulop graduated from Binghamton University in 1999, and in 2006 completed both his Masters in Business Administration at the New York University Stern School of Business and his Masters in Public Administration at Columbia University School of International and Public Affairs (SIPA). While attending Binghamton University, he spent time abroad studying at Oxford University in England.

Upon graduating from college, Mayor Fulop joined Goldman Sachs. After working in financial services for several years and seeing first hand the effects of the September 11 attacks, he decided to put his career at Goldman Sachs on hold and join the United States Marine Corps. Shortly after completion of Marine Corps boot camp on January 14, 2003, Mayor Fulop was deployed to Iraq, where he served as part of the 6th Engineer Support Battalion. He and his unit were recipients of numerous awards and recognition for service including the Overseas Service Ribbon, Meritorious Masts, and the Presidential Unit Citation.

Currently, Mayor Fulop is a trustee of the Liberty Science Center, and previously served on the Board of Directors for the Columbia University Alumni Association and the board for the Learning Community Charter School. He is an avid tri-athlete completing the 2012 NY Ironman Championship in less than 12 hours.

ROBERT J. KAKOLESKI, Business Administrator

Robert J. Kakoleski was named Acting Director of the Department of Administration on August 1, 2013. Mr. Kakoleski received a Masters of Public Administration degree in 2002 from Fairleigh Dickinson University. He also earned his bachelor's degree from Rutgers University. Mr. Kakoleski worked for more than 16 years as the Jersey City Police Department's fiscal officer, deputy director and department director. He became Assistant Business Administrator for the City in 2004 and named the City's budget director in 2010. Mr. Kakoleski is also a New Jersey Certified Municipal Finance Officer and he has completed a certification program in labor relations at Rutgers University. On March 26, 2014, the Mayor appointed Mr. Kakoleski as Business Administrator of the City.

MARK ALBIEZ, Mayor's Chief of Staff

Mark Albiez began his career in public service in 2003 as Program Coordinator with the Jersey City Department of Recreation, where he was responsible for overseeing various recreational programs and grant writing for the department.

In 2008, Mr. Albiez was named the Chief of Staff to New Jersey Assemblyman Ruben Ramos, Jr. (January of 2008 – December of 2011) then began working for State Senator Brian P. Stack (January of 2009 – July of 2014) in the same role, directing the daily functions of both offices, which operated in a joint capacity, focusing on constituent services, drafting of legislation, legislative processes, and interaction with government offices, public agencies and members of the media. Mr. Albiez was then employed as Deputy Director of the Union City Department of Recreation, Parks and Public Property (January of 2012 – July of 2014), advancing the creation and refurbishment of parks and recreational facilities and securing funding streams for respective projects.

Most recently, Mr. Albiez joined the administration of Jersey City Mayor Steven Fulop in July of 2014 and was recently appointed as Chief of Staff. Mr. Albiez earned a degree in Bachelor of Arts in Philosophy from Rutgers University, New Brunswick.

JEREMY A. FARRELL, ESQ., Corporation Counsel

On July 1, 2013, Jeremy A. Farrell was appointed Corporation Counsel for the City. Mr. Farrell heads the Department of Law, which represents the City in all legal matters and advises the Mayor and City Council on policy initiatives.

Mr. Farrell is a 2003 graduate of McGill University where he received a Bachelor of Arts degree in Political Science and International Development. He received his Juris Doctorate from Seton Hall University School of Law in 2007. While attending Seton Hall Law School, Mr. Farrell was a Chancellor Scholar and Distinguished Scholar. He also served as a member of the Seton Hall Sports and Entertainment Law Journal and a Student Bar Association Senator.

Upon graduating from law school in 2007, Mr. Farrell joined McElroy, Deutsch, Mulvaney & Carpenter, LLP ("McElroy"), one of New Jersey's prominent law firms. In 2008, he left McElroy to serve as Judicial Law Clerk to the Honorable Dennis M. Cavanaugh, United States District Judge for the District of New Jersey. He returned to the firm in the fall of 2009. At McElroy, Mr. Farrell practiced Commercial Litigation, Municipal Law, Condemnation Law, Construction Litigation, and Bankruptcy.

ANTHONY CRUZ, Acting Director of Housing, Economic Development and Commerce

Mr. Cruz worked for a planning and designing firm, SAM Inc., in the mid 1980's and left the firm to start a career in government in 1992. That year he was appointed by the Hudson County Executive as the director of Constituent Services for the County of Hudson where he was responsible for building partnerships with non-profit organizations. In 2000, Mr. Cruz became a Special Projects Manager for United States Senator Jon Corzine where he worked on Police/ Fire Grants and Environmental issues. He left the State to become a Senior Advisor and Deputy Mayor under the late Mayor Glenn D. Cunningham. Mr. Cruz was also responsible for running a state funded program that helped homeowners rehabilitate their homes and started the largest Special Improvement District in the City. On August 13, 2013 Mr. Cruz was appointed Acting Director of Housing, Economic Development and Commerce.

DONNA MAUER, Chief Financial Officer

Donna Mauer holds a B.S. in Business Administration from New Jersey City University and a Masters of Public Administration from Fairleigh Dickinson University. She started employment with the Department of Finance of the City in 1987. Since that time, she held various positions, including Assistant Budget Officer. On December 14, 2005, Ms. Mauer was appointed Chief Financial Officer and reappointed on December 17, 2008 and acquired tenure in the position on January 1, 2009.

City Employees

As of December 31, 2013, the City had 2,510 employees. The following table shows a breakdown of the City's employees over the past five years:

CITY EMPLOYEES

	<u>Permanent</u>	<u>Temporary</u>	<u>Grants/ Enterprise Fund</u>	<u>Water Utility</u>	<u>Total⁽¹⁾</u>
December 31, 2013	2,381	68	55	6	2,510
December 31, 2012	2,408	41	33	7	2,489
December 31, 2011	2,411	22	43	8	2,484
December 31, 2010	2,510	27	51	10	2,598
December 31, 2009	2,724	73	45	10	2,852

⁽¹⁾ Total does not include Seasonal Employees

Approximately 2,256 of the City's employees are represented by one of 9 different bargaining units. The New Jersey Public Employee Relations Act, as amended, specifies a negotiation and advisory fact finding process (civilian unions) or interest arbitration (uniformed service unions) in the event of a negotiations impasse. The major public employee unions of the City are set forth below with a description of each:

LOCAL 1064 represent approximately one hundred fifty six (156) fire officers in the rank of Captain, Battalion Chief and Deputy Chief. A new four (4) year collective bargaining agreement was reached in March 2013 for the period January 1, 2013 to December 31, 2016. The basic financial terms were as follows: January 2013 – 0%; July 2013 – 2.5%; January 2014 2.15%; January 2015 – 2.25%; January 2016 – 1.95%.

LOCAL 1066 represent approximately four hundred and two (402) fire fighters. The collective bargaining agreement originally expired on December 31, 2012, but with a three year extension ending 2015 with 2.5% increases scheduled for January 2013, 2014 and 2015.

THE POLICE SUPERIOR OFFICERS' ASSOCIATION represents approximately one hundred forty seven (147) Superior Officers in the rank of Sergeant, Lieutenant, Captain and Inspector. A new four (4)

year collective bargaining agreement was reached in March 2013 for the period January 1, 2013 to December 31, 2016. The basic financial terms were as follows: January 2013 – 0%; July 2013 – 2.5%; January 2014 2.15%; January 2015 – 2.25%; January 2016 – 1.95%.

THE POLICE OFFICERS' BENEVOLENT ASSOCIATION represents approximately six hundred and forty eight (648) Police Officers and Detectives below the rank of Sergeant. A new four (4) year collective bargaining agreement was reached in March 2013 for the period January 1, 2013 to December 31, 2016. The basic financial terms were as follows: January 2013 – 0%; July 2013 – 2.5%; January 2014 2.3%; January 2015 – 2.25%; January 2016 – 1.95%. The contract also included the lowering of the starting salary for new hires and other significant reduction in benefits for additional cost savings.

JERSEY CITY SCHOOL TRAFFIC GUARDS ASSOCIATION represents approximately two hundred (200) employees who tend the crosswalks near elementary schools in the City to safely assist children. A successor agreement was reached October 2013 for a four (4) year January 1, 2012 to December 31, 2015. The basic financial terms were as follows: January 2012 – 3.5%; January 2013 – 3.25%; January 2014 – 2.75%; January 2015 – 2.25%. Also, new crossing guard hires will no longer receive medical benefits.

JERSEY CITY SUPERVISORS' ASSOCIATION represents approximately eighty five (85) civilian Supervisors holding titles above the rank of “foreman”, but below the level of Division Head. A new three and half year contract was ratified by the City Council May 2013. The agreement calls for the following salary increases: effective July 1, 2011 - \$0; January 1, 2012 - \$0; April 1, 2012 - \$1,350; January 1, 2013 - \$1,400 and January 1, 2014 - \$1,500.

JERSEY CITY PUBLIC EMPLOYEES, LOCAL 245, represents approximately one hundred thirty seven (137) foremen and their subordinates, in the Department of Public Works and the Department of Recreation. A new three and half year contract was ratified by the City Council May 2013. The agreement calls for the following salary increases: effective July 1, 2011 - \$350; January 1, 2012 - \$1,000; January 1, 2013 - \$1,000 and January 1, 2014 - \$1,000.

JERSEY CITY PUBLIC EMPLOYEES, LOCAL 246, represents approximately four hundred eighty (480) employees who are subordinate to Supervisors in the Mayor's Office, the Department of Administration, the Department of Finance, the Department of Law, the Department of Health and Human Services, and the Department of Housing, Economic Development and Commerce, the Office of the City Clerk, the Office of the Tax Assessor, the Department of Fire (non-uniformed) and the Department of Public Safety (non-uniformed). A new three and half year contract was ratified by the City Council in May 2013. The agreement calls for the following salary increases: effective July 1, 2011 - \$0; January 1, 2012 - \$0; April 1, 2012 - \$1,000; January 1, 2013 - \$1,000 and January 1, 2014 - \$1,250.

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 68-68A-68B, AFL-CIO represents three (3) employees holding titles of boiler operators or chief engineer. A new three and half year contract was ratified by the City Council May 2013. The agreement calls for the following salary increases: effective July 1, 2012 - \$0; January 1, 2013 - \$0; April 1, 2013 - \$1,350; January 1, 2014 - \$1,400 and January 1, 2015 - \$1,500.

The Jersey City Public Schools

The public school system of the City, the second largest school district in the State, served a total enrollment of approximately 28,172 students for school fiscal year 2013-14. The system employs professional and non-professional personnel, including teacher's aides. The student population is provided with a comprehensive school program including college preparatory programs, vocational training and special education classes housed in regular elementary and secondary schools. In school fiscal year 2013-14, the school district had 4,672 full-time employees. The school system currently includes 25 elementary schools, six middle schools, six high schools, one regional day and 1 adult education schools and 42 childcare sites.

Since October 1989, the school system has been operated by the State of New Jersey pursuant to the New Jersey Public School Education Act of 1975, as amended, N.J.S.A. 18A:7A-1 *et seq.* The Commissioner of Education appointed a State Superintendent to manage the district.

The State-operated school district enabling legislation, N.J.S.A. 18A:7A-34 *et seq.*, makes provision for the City to provide moneys to the State-operated school district for the payment of operating expenditures. Chapter 139 of the Pamphlet Laws of 1991 provided a mechanism similar to the pre-existing one for the authorization and issuance of school promissory notes and school serial bonds by the City secured by the power and authority of the City to levy ad valorem real property taxes. The Capital Project Control Board of the City's Public Schools has the authority to review and recommend the necessity for capital projects proposed by the Superintendent. Following the adoption of a resolution by the Capital Project Control Board, the Municipal Council of the City shall consider a School bond ordinance. The State, by the takeover of the school system in the City, has not affected, modified or impaired the authority or the obligation of the City for the levy and collection of sufficient real property taxes to pay the interest and principal on outstanding school debt.

Related Authorities and Functions

Sewer services are provided to the City through the Jersey City Municipal Utilities Authority (the "JCMUA") and solid waste disposal is provided by the Jersey City Incinerator Authority (the "JCIA"). On December 10, 1997, the Jersey City Sewerage Authority was reorganized to form the JCMUA. On January 15, 1998, the City and the JCMUA executed a Franchise and Service Agreement pursuant to which the JCMUA assumed operation of the City's Water Utility until January 31, 2008. In May 2003, the City and the JCMUA executed an amended and restated franchise and service agreement pursuant to which the JCMUA's obligations to operate the City's Water Utility was extended through March 31, 2028. See "Jersey City Municipal Utilities Authority" and "The Jersey City Incinerator Authority" under "CITY INDEBTEDNESS AND DEBT LIMITS – Other City-Related Obligations" herein.

City Budget Requirements - General

State law imposes specific budgetary procedures upon local government units such as the City. Pursuant to the Local Budget Law, the City is required to have an operating budget, which provides for sufficient cash collections to pay all debt service and operating costs during the fiscal year and, in addition, provide for any statutory and mandatory payments, such as pension and insurance costs, required to be made during the fiscal year.

The City's operating budget must be in the form required by the Division of Local Government Services in the Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are statutorily regulated and must be certified by the Director of the Division (the "Director") prior to final adoption of the budget by the Council. The Director is required to review the adequacy of such appropriations for certification. The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review, which focuses on anticipated revenues, is intended to insure revenues are sufficient to pay expenses.

The Business Administrator and Budget Director prepare the Municipal Budget of the City for the Mayor. During the month of May, all department heads are required to submit requests for appropriations for the next budget year and appear before the Business Administrator, the Budget Director and the Council at public hearings to explain their departmental requests. The Mayor then submits his recommended budget to the Council. The Council may reduce any item or items in the budget by a majority vote but may increase any item or items only upon an affirmative vote of two-thirds of the members of the Council. After the budget is introduced, it may be approved on first reading by majority vote of the Council. After the Council approves the budget, it is submitted to the Director for approval and advertised. A public hearing is held. Upon completion of the public hearing, the budget is adopted by the Council and submitted to the Division for certification.

The City has transitioned from a State fiscal year to a calendar fiscal year. Under State law, the City is required to have a budget adopted by March 20, although the Director, with the approval of the Local Finance Board, may extend this date and the Municipal Council may adopt the budget within ten days after the Director shall have certified his approval thereof pursuant to N.J.S.A. 40A:4-5.1. For Calendar Year 2012, the budget was

introduced on February 22, 2012 and adopted on July 31, 2012. For Calendar Year 2013, the budget was introduced on February 27, 2013 and adopted on July 17, 2013. For Calendar Year 2014, the budget was introduced on March 12, 2014 and adopted on September 23, 2014.

Prior to formal budget adoption, the City uses a temporary operating budget to guide expenditures. Temporary appropriations may be made pursuant to N.J.S.A. 40A:4-19.1 and, in addition, emergency temporary appropriations may be made pursuant to N.J.S.A. 40A:4-20. The City's budget for the first quarter of its calendar year (January 1 through September 30) is equal to one-fourth of the annual budget for the preceding calendar year. If a budget for a calendar year is not adopted by March 30, the City establishes periodic temporary budgets.

The monitoring of the budget is a continuous process, and encompasses financial controls in the areas of encumbrance of obligations and public contracts law. Under State law, expenditures cannot be made unless there is a certification as to availability of funds from the operating or capital budget. The budget is utilized throughout the operating year as a management tool and policy instrument representing the City's plan of action for the provision of services. Expenditures are monitored throughout the year and, two months before the end of the fiscal year, the budget may be amended to transfer expenditures from one line item to another. Emergency appropriations may be made to the extent revenues are insufficient to pay expenditures, with the amounts so appropriated raised in the succeeding fiscal year.

No local unit in New Jersey is permitted to issue long-term bonds for the payment of current expenses or to pay outstanding obligations (except for the refunding or repayment of successful real property tax appeals and certain statutorily authorized non-recurring expenses, which requires the approval of the Local Finance Board). Like other New Jersey municipalities, the City makes a major portion of its expenditures early in each year while receipts are heaviest late in the year. The City has managed this cash flow imbalance through temporary transfers from its capital and grant accounts, and restoring these funds by year end with the tax and State aid revenues received. A local unit may issue tax anticipation notes for the payment of current expenses under the Local Budget Law. The City has not issued tax anticipation notes since April 1991.

Public School Budgeting Process

Under the provisions of the New Jersey Public Education Act of 1975, as amended, the Superintendent of a State-operated school district, after preparation of and hearing on a proposed budget, is required to fix and determine the amount of money necessary to be appropriated for the school year and is required to certify the amounts to be raised by taxes. The City may appeal to the Commissioner of Education the amount determined necessary. The Commissioner, upon receipt of such appeal and completion of the hearing process, shall determine the amount necessary for the district to provide a thorough and efficient educational program including the implementation of the plan to correct deficiencies. The City may apply to the Director of the Division for a determination that the local share of revenues needed to support the district's budget results in an unreasonable tax burden. Based upon this review, the Director certifies the amount of revenues, which can be raised locally to support the budget of the State-operated district. Any difference between the amount which the Director certifies and the total amount of local revenues required by the budget approved by the Commissioner is paid by the State in the fiscal year in which the expenditures are made, subject to the availability of appropriations. The State supplemented the City's school tax revenues with \$20,000,000 for the Fiscal Year 1999. Since Fiscal Year 2000, the State has not supplemented the City's school tax revenues.

Limitation on Expenditures

Section 40A:4-45.3 of the Local Budget Law, commonly known as the "Cap Law," provides that a municipality shall limit any increase in its operating budget to five percent or the calculated Index Rate, whichever is less, over the previous year's final appropriations, subject to certain exceptions. The Local Finance Board has the authority, under Section 40A:4-45.3 of the Local Budget Law, to grant additional exceptions to the Cap Law under certain circumstances. The Index Rate is defined as the annual percentage increase in the Implicit Price Deflator for State and Local Government Purchasers of Goods and Services produced by the United States Department of Commerce as announced by the Director. Municipalities may elect, upon adoption of an ordinance, to approve an increase in appropriations that is greater than the Index Rate, not to exceed five percent, when the Index Rate is less than five percent. Major exceptions not subject to the spending limitation include: capital expenditures and debt

service; State and Federal appropriations; expenditures mandated as a consequence of certain public emergencies; certain expenditures mandated by law; cash deficits of the preceding year approved by the Local Finance Board; amounts required to be paid pursuant to any contract with respect to use, services or provision of any project, facility or public improvement for water, sewer, solid waste, parking, senior citizen housing or similar purpose, or payments on account of debt service therefor or lease payments as made with respect to a facility owned by a county improvement authority where such lease payments are a necessity to amortize debt of the authority; amounts expended to meet the standards established by the New Jersey Public Employees' Occupational Safety and Health Act; amounts appropriated for expenditures resulting from impact of a hazardous waste facility; any expenditure mandated as a result of a natural disaster, civil disturbance or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United States or by the Governor; expenditures for the cost of services mandated by any order of court, statute or administrative rule issued by a State agency which has identified such cost as mandated expenditures on certification to the Local Finance Board by the State agency; and amounts reserved for uncollected taxes. The "Cap Law" does not limit the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service.

On June 21, 2004, the Legislature enacted amendments to the "Cap Law", under which municipalities are required to limit any increase in its operating budget to 2.5% or the "cost-of-living adjustment" (formerly known as the "Index Rate"), whichever is less, over the previous year's final appropriations, subject to certain exceptions. Municipalities are permitted to elect, upon adoption of an ordinance, to approve an increase in appropriations that is greater than the cost-of-living adjustment, not to exceed 3.5%, when the cost-of-living adjustment is less than or equal to 2.5%. However, the amendment eliminates the existing option to exceed the current 5% increase, but not to exceed the Index Rate, when the Index Rate is greater than 5%. The amendment also eliminates certain of the exceptions to the spending limitation, including: amounts expended to meet the standards established by the New Jersey Public Employees' Occupational Safety and Health Act; amounts appropriated for expenditures resulting from the impact of a hazardous waste facility; amounts appropriated for the cost of administering a joint insurance fund; amounts appropriated for the cost of implementing an estimated tax billing system and the issuance of tax bills thereunder; and amounts expended to pay the salaries of police officers hired under the federal "Community Oriented Policing Services" program. The amendment also requires Local Finance Board approval to utilize existing exceptions for: expenditures of amounts actually realized in the local budget year from the sale of municipal assets; and expenditures related to the cost of conducting and implementing a total property tax levy sale. The exception for amounts expended for the staffing and operation of the municipal court was replaced with an exception for newly authorized operating appropriations for the municipal court or violations bureau when approved by the vicinage Presiding Judge of the Municipal Court after consultation with the mayor and governing body of the municipality.

The "Cap Law" is subject to frequent amendment by the Legislature. On April 3, 2007, the Governor approved an amendment to the "Cap Law" which permits increases in appropriations for increased health insurance costs in excess of 2% (but not more than the average percentage increase of the State Health Benefits Program). Such legislation also contains a new limitation on municipal tax levies. See "CITY REVENUES - Property Tax Reform" below.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Township to levy ad valorem taxes upon all taxable property within the boundaries of the Township to pay debt service on bonds and notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures, which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Anticipation of Real Estate Taxes

With regard to current taxes, Section 40A:4-41 of the Local Budget Law provides that “receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision requires that the City establish a non-spending appropriation reserve for uncollected taxes in the current year as a percentage of the current levy equal to the percent uncollected of the prior year's levy. This additional amount must be added to the tax levy required in order to balance the budget.

Section 40A:4-29 of the Local Budget Law sets limits on the anticipation of delinquent tax collections: “The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

The City school district and the County receive 100% of their tax levies, which are collected and paid to them by the City. As a result of the structure of the State's system of taxation, the City, along with other similarly situated municipalities, bears the full burden of the uncollected taxes.

Anticipation of Miscellaneous Revenues

Section 40A:4-26 of the Local Budget Law provides: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

Deferral of Current Expenses

Supplemental emergency appropriations may be authorized by the governing body of the City after the adoption of the budget and determination of the tax rate. However, with minor exceptions, such appropriations must be included in full in the following year's budget. Under Sections 40A:4-48 and 40A:4-49 of the Local Budget Law, any emergency appropriation must be declared by resolution according to the definition provided in Section 40A:4-46 of the Local Budget Law, approved by at least two-thirds of the governing body and must also be approved by the Director if all emergency appropriations made during the year exceeds 3% of the total current and utility operating appropriations in the budget for that year.

Protection of Municipal Funds and Investment Policy

The City complies with the State statutory and regulatory requirements for the deposit and investment of public monies. The City on a daily basis deposits cash receipts in institutions located in New Jersey which are approved by the State and are insured by the Federal Deposit Insurance Corporation or by other agencies of the United States (although the amount of the City's deposit may exceed the insurance coverage limits) or in the State of New Jersey Cash Management Fund. The Cash Management Fund, which was established in 1977, is a short-term investment pool for the State and its cities, towns and school districts. The investments held by the Cash Management Fund must have average maturities not exceeding one year. The types of investments are regulated by

the State Investment Council. The regulations allow investment in repurchase agreements with the purchased securities held by a custodian. The regulations also permit reverse repurchase agreements; however, the proceeds are invested in the Cash Management Fund. As of June 30, 2012, the fair¹ value of units in the Cash Management Fund was \$8.8 billion.

In addition to making deposits with the above described financial institutions, pursuant to N.J.S.A.40A:5-15.1, the City is permitted to purchase the following types of securities as investments:

- 1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America (Treasury Bills, notes and bonds).
- 2) U.S. Government money market funds.
- 3) Any obligation that a Federal agency or a Federal instrumentality has issued in accordance with an Act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependable on any index or other external factor.
- 4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- 5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by The Department of Treasury, Division of Investments.
- 6) Local government investment pools, such as New Jersey Class, and the New Jersey Arbitrage Rebate Management Program.
- 7) Deposits with the State of New Jersey Cash Management Fund.
- 8) Repurchase agreements of fully collateralized securities, if:
 - a) The underlying securities are permitted investments pursuant to N.J.S.A. 40A: 5-15.1;
 - b) The custody of the collateral is transferred to a third party;
 - c) The maturity of the agreement is not more than 30 days;
 - d) The underlying securities are purchased through banks approved by the Department of Banking and Insurance under the Government Unit Depository Projection Act. (“GUDPA”).
 - e) A master repurchase agreement providing for the custody and security of the collateral is executed.

Compliance with the State statutes may not assure that the City's investments will have the liquidity, security or adequate deposit insurance to protect the City against all losses. For example, the relevant deposit statute, N.J.S.A.17:9-44, only requires public depository banks to maintain collateral for deposits of public funds exceeding insurance limits (\$100,000) generally equal to five percent of the average daily balance of public funds. Additionally, the State has the power to require that all banks holding public funds contribute amounts sufficient to reimburse an eligible municipality if any bank holding public funds becomes insolvent. However, it is unclear how quickly other state-qualified depositories could act to reimburse an exposed municipality through the State supervised program which may result in limited liquidity and a shortage of cash for the City and other municipalities in the State. Furthermore, it is currently unclear whether the State of New Jersey Cash Management Fund could maintain sufficient liquidity during a period of economic stress if many municipalities including the City sought the immediate return of cash.

¹Changed from book value to fair value in compliance with GASB Statement Number 31.

CITY INDEBTEDNESS AND DEBT LIMITS

State law regulates the issuance of debt by local government units. No local unit is permitted to issue bonds for the payment of current expenses or to pay outstanding obligations, except for, among certain other limited purposes, refunding purposes with the approval of the Local Finance Board. Like other New Jersey municipalities, the City makes a major portion of expenditures early in each year while receipts are heaviest late in the year. Historically, the City has managed this cash flow imbalance through temporary transfers from its capital and grant accounts and restores these funds with the tax and State aid revenues received by year-end. The City also has options, which it may exercise to reduce, defer or fund appropriations remaining at the end of a fiscal year for which insufficient cash is available. The Local Budget Law empowers the City to issue, but limits the amount of, tax anticipation notes ("TANs") that may be issued and requires the repayment of such notes within four months of the end of the fiscal year in which issued. The City has not issued TANs since April 1, 1991.

The City has experienced an increase in total debt service as a result of financing real property tax refunds through the issuance of notes, which are amortized over a period of three to seven years from the date of issuance. In addition, since 1991, in part as a result of the change in the fiscal year and the resultant lack of appropriations from the State, the City issued \$128,918,448 amount of FYABs to pay operating expenses. The issuance of the FYABs effectively doubled the debt service expense of the City. The City anticipates that debt service expense may increase as a consequence of the funding of authorized and unissued City capital improvements and school capital improvements. In March 2006, the City restructured its outstanding debt in order to produce level debt service.

Debt Limits

State statutes set forth debt limits for counties and municipalities. The City's net debt is limited by the Local Bond Law to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the City is set by statute as the average for the last three preceding years of the sum total of (a) the aggregate equalized valuation of real property together with improvements and (b) the assessed valuation of Class II railroad property within its boundaries as annually determined by the State Board of Taxation. See "CITY REVENUES – Equalization Rate and Tax Collection Rates" herein for a discussion of the City's assessed valuations. The debt limit pursuant to Title 18A of the New Jersey Statutes for the City school district, a Type I district of the first class, is 8% of such average valuation basis. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. Pursuant to law, the City has deducted the amount of authorized school debt.

Exception to Debt Limit - Extensions of Credit

The debt limit of the City may be exceeded only with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. An extension of credit may be granted based on a formula tied to the annual retirement of principal or need to protect the health, welfare or safety of the residents in a municipality. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations. If the Local Finance Board determines pursuant to statute and regulation that a proposed debt authorization would materially impair the ability of the City to meet its obligations or to provide essential services, approval is denied.

In calendar years ending December 31, 2011, December 31, 2012, and December 31, 2013, total debt as a percentage of the equalized value of the City was 2.37%, 2.61%, and 2.60%, respectively. The change is due in part to a decrease in the equalized valuation of real property in the City in the past three years.

State law permits the City school district acting through the Municipal Council to authorize debt in excess of its individual debt limit. It does so by using the borrowing capacity of the City for school purposes after the school debt margin has been exhausted. The Local Finance Board is involved only if the proposed debt authorization exceeds the debt limit of both the City and the City school district.

Exception to Debt Limit - Real Property Tax Appeal Refunding Notes

The City revalued the real property located in the City in 1988. See "CITY REVENUES -- Equalization Rate and Tax Collection Rates". After the revaluation, the number of tax appeals increased substantially. In order to file a tax appeal, a property owner must first pay the taxes that are owed. If the appeal is successful, the taxes are then refunded to the owner. The refund may occur in a fiscal year subsequent to the fiscal year in which the owner paid the taxes. Because of the magnitude of the tax appeals and the amount that was required to be refunded, the Local Finance Board and the Municipal Council have allowed the City to issue tax refunding obligations to finance the tax refunds. The tax refunding obligations issued to date are one-year notes, renewable annually for five to seven years after their date of issuance, with the amortization schedule approved by the Local Finance Board. As of December 31, 2013, \$11,097,000 principal amount of real property tax appeal refunding notes were outstanding.

Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month of each fiscal year, the City must file an Annual Debt Statement as of the last day of the preceding fiscal year with the Division. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

In calculating the debt limit, the City is allowed to deduct certain types of debt. Deductions from gross debt are allowed for school purposes of an amount equal to 4% of average equalized valuations and for any additional State School Building Aid Bonds authorized (P.L. 1968, c. 177, as amended P.L. 1971, c. 10, as amended and P.L. 1978, c. 74). The deduction from municipal gross debt represents bonds issued and bonds authorized but not issued to meet cash grants-in-aid for a housing authority, redevelopment agency or municipality acting as its local public agency (Section 55:14B-4.1(d) of the Housing and Redevelopment Law) and funds in hand (including proceeds of bonds held to pay other bonds).

The following table sets forth the amount of debt that the City has outstanding, authorized but not yet issued as well as deductions for each purpose (school, municipal and water) and the amount of debt that the City has authorized for each purpose but has not yet incurred. In addition, the table sets forth the amount of debt that has been issued by public bodies but that the City is or may be responsible for paying. See "Other City-Related Indebtedness". The table then sets forth the amount of the debt that, pursuant to State law, is excluded from the calculation of the debt limitations imposed on the City. Such deductions include debt for school purposes (a portion of which are subject to their own debt limitation), debt for the water utility because it operates on a self-liquidating basis, refunding debt, debt issued in anticipation of grants and bonds issued by public entities (even though the City may be responsible for all or a portion of the debt service on such debt). As shown in the table, although the City's gross debt as of December 31, 2013 was \$852,306,655, only \$475,739,968 of that debt is included for purposes of calculating the debt limitation on the City.

The table also shows the statutory net debt as a percentage of the average equalized value of property in the City (the average calculated for the past three years). See "CITY REVENUES - Real Estate Tax" herein. In addition to the debt detailed on this table, since 1990 the City has issued real property tax appeal refunding notes in each year. Prior to February 3, 2003, such real property tax appeal refunding notes were not included in the City's debt statements. After that date, newly authorized real property tax appeal refunding notes are included in gross debt, but are deducted in calculating net debt. See "Exception to Debt Limit – Real Property Tax Appeal Refunding Notes" herein.

**Annual Debt Statement
As of December 31, 2013**

Gross Debt:

School Purposes:

Issued and Outstanding:

Bonds	\$55,220,000	
Authorized But Not Issued	6,216,027	
Total School		\$61,436,027

Municipal Purposes:

Issued and Outstanding:

Bonds	494,712,950	
Notes	10,000,000	
Green Trust Loan	1,360,964	
Hudson County Improvement Authority		
Pooled Loan and Notes.....	19,061,223	
Refunding Tax Appeal Notes	11,097,000	
Authorized But Not Issued	48,482,359	
Total Municipal		584,714,496

Issued by Public Bodies Guaranteed by the Municipality:

Jersey City Municipal Utilities Authority	<u>206,156,132</u>
Total Gross Debt	852,306,655

Statutory Deductions:

For School Purposes - Statutory 4%	55,960,211	
For School Purposes - State School Aid Bonds		
(Chapters 177, 10 and 74)	5,475,816	
For Jersey City Municipal Utilities Authority - Water	55,917,528	
For ERI Pension Refunding	41,960,000	
For Bonds Issued by Public Bodies		
Guaranteed by the Municipality	206,156,132	
For Refunding Tax Appeal Notes.....	11,097,000	
Statutory Deductions		<u>376,566,687</u>
Statutory Net Debt		<u>\$475,739,968</u>
Statutory Net Debt Percentage.....		2.60%

Source: Derived from the Annual Debt Statement of the City for Calendar Year 2013.

The following table summarizes the information included in the preceding table, and shows, among other things, the gross debt outstanding for each purpose, the amount of such debt allowed under State law to be excluded from the calculation of the debt limitation and the statutory net debt.

Statutory Debt as of December 31, 2013

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 61,436,027	\$ 61,436,027	\$ -0-
Municipal Purposes	584,714,496	108,974,528	475,739,968
Other Public Bodies Guaranteed by City	<u>206,156,132</u>	<u>206,156,132</u>	<u>-0-</u>
Total	<u>\$ 852,306,655</u>	<u>\$ 376,566,687</u>	<u>\$ 475,739,968</u>
Average Equalized Valuation of Real Property (Yrs. 2011 – 2013)			\$18,281,741,773
Statutory Net Debt			2.60%
Debt Limitation Per N.J.S.A. 40A:2-6 (Municipalities – 3.50% of Three Year Average Equalized Valuation)			639,860,962
Total Net Debt			<u>475,739,968</u>
Remaining Net Debt Capacity			<u>\$ 164,120,994</u>

Source: Derived from the Annual Debt Statement of the City for Calendar Year 2013.

The table below outlines the total debt of the City and sets forth the amount that the debt represents per capita for the last five years.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Gross Debt ⁽¹⁾	\$852,306,655	\$896,400,051	\$895,983,278	\$906,232,230	\$913,847,973
Net Debt Statutory ⁽²⁾	475,739,968	488,571,624	480,337,407	491,343,986	490,580,688
Population ⁽³⁾	247,597	247,597	247,597	247,597	240,055
Gross Debt per Capita	3,442	3,620	3,619	3,775	3,807
Net Debt per Capita	1,921	1,973	1,940	2,047	2,044
Net Debt - Statutory Percentages	2.60%	2.61%	2.37%	2.26%	2.19%

⁽¹⁾⁽²⁾ The figures representing Gross Debt and Net Debt Statutory are derived from the Annual Debt Statements of the City.

⁽³⁾ Source: U.S. Department of Commerce, Bureau of the Census.

The following table lists the total bonded debt of the City for the last five years.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Bonds:					
General	\$ 460,262,950	\$ 483,478,950	\$ 475,839,950	\$ 487,891,680	\$ 403,378,700
School	55,220,000	64,445,000	73,570,000	84,320,000	89,660,000
Water	34,450,000	37,425,000	41,187,000	44,855,000	48,590,000
Other	<u>206,156,132</u>	<u>222,200,627</u>	<u>208,700,000</u>	<u>192,760,918</u>	<u>191,064,957</u>
Total Outstanding Bonds	756,089,082	807,549,577	799,296,950	809,827,598	732,693,657
Notes:					
General	39,436,000	33,952,196	39,831,317	40,594,772	58,094,772
School	-0-	-0-	-0-	-0-	-0-
Water	-0-	-0-	-0-	-0-	-0-
Other (Loan)	<u>2,083,185</u>	<u>2,541,842</u>	<u>2,998,575</u>	<u>3,453,424</u>	<u>3,935,107</u>
Total Outstanding Notes	<u>41,519,185</u>	<u>36,494,038</u>	<u>42,829,892</u>	<u>44,048,196</u>	<u>62,029,879</u>
Total Bonds and Notes Issued and Outstanding	797,608,269	844,043,615	842,126,842	853,875,794	794,723,516
Bonds and Notes Authorized but Not Issued					
General	27,014,831	24,672,882	26,172,882	24,672,882	91,440,882
School	6,216,027	6,216,026	6,216,026	6,216,026	6,216,026
Water	21,467,528	21,467,528	21,467,528	21,467,528	21,467,528
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Bonds and Notes Authorized But Not Issued	54,698,386	52,356,436	53,856,436	52,356,436	119,124,436
Total Issued and Outstanding, and Authorized But Not Issued	<u>\$ 852,306,655</u>	<u>\$ 896,400,051</u>	<u>\$ 895,983,278</u>	<u>\$ 906,232,230</u>	<u>\$ 913,847,973</u>

Source: Derived from the Annual Debt Statements of the City.

Included in the debt shown on this table are \$11,097,000 of tax appeal refunding notes issued by the City and outstanding as of December 31, 2013. The following table sets forth the amount of tax appeal refunding notes that were issued and outstanding in each of the four years preceding such date.

Real Property Tax Appeal Refunding Notes Outstanding

<u>Year</u>	<u>Amount Issued⁽¹⁾</u>	<u>Balance end of year</u>
December 31, 2013	\$ -0-	\$ 11,097,000
December 31, 2012	-0-	15,276,196
December 31, 2011	5,500,000	21,155,317
December 31, 2010	-0-	21,918,772
June 30, 2010	7,201,450	22,918,772

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

⁽¹⁾ These amounts do not include tax appeal refunding notes issued to refund prior issues of tax refunding notes.

The table below sets forth the total overlapping debt of the City for the last five years. The County of Hudson (the "County") debt overlap was 31.54% in 2013, 32.35% in 2012, 32.99% in 2011, 33.67% in Transition Year 2010, and 34.63% in Fiscal Year 2010. The overlap for all other debt was 100%. The City's percentage of overlap for County debt is determined by the State based on (i) the assessed value of Class II Railroad Property in the City and (ii) the true value of real property in the City. The sum of these two figures is used to calculate a percentage of the sum of the assessed value of Class II Railroad Property in the County, plus the true value of real property in the County. Overlapping debt is debt for which the City is not required to levy taxes.

Schedule of Overlapping Debt⁽¹⁾

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Jersey City Municipal Utilities Authority ^(a)	\$ 206,156,132	\$ 222,200,627	\$ 208,700,000	\$ 192,760,918	\$ 191,064,957
Hudson County ⁽²⁾	<u>346,822,019⁽³⁾</u>	<u>360,727,455⁽⁴⁾</u>	<u>360,456,212⁽⁵⁾</u>	<u>313,447,833⁽⁶⁾</u>	<u>322,339,825⁽⁷⁾</u>
TOTAL	<u>\$ 552,978,151</u>	<u>\$ 582,928,082</u>	<u>\$ 569,156,212</u>	<u>\$ 506,208,751</u>	<u>\$ 513,404,782</u>

Source: Derived from the Annual Debt Statements of the County and City.

^(a) The Jersey City Sewerage Authority was reorganized as the Jersey City Municipal Utilities Authority on January 15, 1998.

⁽¹⁾ The outstanding debt of the Hudson County Utilities Authority, the Rockaway Valley Regional Sewerage Authority and the Hudson County Improvement Authority are not included (see further discussion herein).

⁽²⁾ Hudson County reports on a calendar year ending December 31.

⁽³⁾ This figure represents 31.54% of the total County Gross Debt of \$1,099,534,929.

⁽⁴⁾ This figure represents 32.35% of the total County Gross Debt of \$1,114,984,494.

⁽⁵⁾ This figure represents 32.99% of the total County Gross Debt of \$1,092,729,443.

⁽⁶⁾ This figure represents 33.67% of the total County Gross Debt of \$930,866,582.

⁽⁷⁾ This figure represents 34.63% of the total County Gross Debt of \$930,866,582.

The table below lists the principal and interest repayment schedule on all outstanding bonds of the City from 2014 through 2040.

**Combined Principal and Interest Repayment Schedule
Outstanding Bonds of the City
As of December 31, 2013**

Calendar Year	<u>Total</u>	<u>General</u>	<u>Pension</u>	<u>Water</u>	<u>School</u>
2014	\$ 62,173,814	\$ 44,077,419	\$ 3,251,289	\$ 4,361,300	\$ 10,483,806
2015	60,990,285	43,940,516	3,417,068	3,503,026	10,129,675
2016	67,883,168	46,889,828	3,550,741	3,901,665	13,540,934
2017	63,025,985	46,756,797	3,711,710	5,302,950	7,254,528
2018	63,556,757	45,217,494	7,233,435	5,363,140	5,742,688
2019	63,528,347	50,209,870	3,880,375	4,001,095	5,437,006
2020	63,865,583	52,715,722	4,021,257	4,074,620	3,053,984
2021	63,697,520	53,016,164	4,166,738	3,546,202	2,968,416
2022	41,222,557	33,531,716	4,354,641	2,094,100	1,242,100
2023	29,659,104	22,981,230	4,630,161	807,275	1,240,438
2024	22,309,957	16,188,991	4,077,966	805,875	1,237,125
2025	17,196,587	13,985,727	1,498,789	475,013	1,237,059
2026	15,294,911	11,978,465	1,608,334	472,975	1,235,138
2027	15,443,715	12,013,663	1,728,871	470,575	1,230,606
2028	12,106,771	9,775,078	1,859,306	472,388	
2029	12,227,634	9,751,199	1,993,685	482,750	
2030	8,979,024	6,362,284	2,136,052	480,688	
2031	9,138,244	6,369,961	2,285,315	482,969	
2032	9,283,433	6,358,813	2,445,246	479,375	
2033	9,453,411	6,358,807	2,614,479	480,125	
2034	6,004,514	6,004,514			
2035	6,003,694	6,003,694			
2036	6,003,713	6,003,713			
2037	5,999,107	5,999,107			
2038	5,995,861	5,995,861			
2039	5,996,953	5,996,953			
2040	5,981,588	5,981,588			

In addition to the debt service requirements on outstanding bonds, the City also pays debt service on notes, including real property tax appeal refunding notes. Notes generally mature within one year from their date of issuance. Notes, other than tax appeal refunding notes, may be renewed three times without principal payments and must then be amortized over a ten-year period (unless refunded by bonds). Generally, tax appeal refunding notes mature within one year from their date of issuance and may be renewed from three to seven times, with the amortization schedule approved by the Local Finance Board. The debt service payable on notes depends on the interest rate established upon the renewal of the notes. For Fiscal Year 2010 the amount was \$5,975,629, for Transition Year 2010 the amount was \$1,074,792, for Calendar Year 2011 the amount was \$7,491,715, for Calendar Year 2012 the amount was \$7,996,577, and for Calendar Year 2013 the amount was \$5,543,710. For Calendar Year 2014 the City budgeted \$5,634,563 for debt service on the notes.

Other City-Related Obligations

Rockaway Valley Regional Sewerage Authority. In compliance with a court decree, the City entered into an agreement, dated July 30, 1971, with the Rockaway Valley Regional Sewerage Authority ("RVRSA"), whereby the City agreed to share in the operating costs of the RVRSA which provides sewerage treatment services in the vicinity of the City's watershed properties. In 2012, 2013, and 2014, the JCMUA contributed \$2,730,857.

Under the same agreement, the City is also required to pay a share of the capital and operating cost of construction of an advanced treatment sewerage facility, which the RVRSA has designed. Under the current plans, the cost of construction is estimated to be \$60,000,000, less any federal funds, the amount of which is presently uncertain. Based upon the design capacity, the City will be responsible for 37 1/2% of the excess cost of financing construction over available federal funds. The amount of the City's contribution for the new facility is a portion of the City's share of the operating costs outlined in the immediately preceding paragraph. The RVRSA has permanently financed substantially all of the non-grant share of project costs with the sale of long-term tax-exempt bonds.

Jersey City Incinerator Authority. The City and the JCIA have entered into a Service Agreement pursuant to which the JCIA is responsible for the collection and disposal of all residential and municipal solid waste for the City, mechanical and manual street sweeping, cleaning of City owned lots, roll-off container service, recycling, demolition, and snow plowing, salting and snow removal. The City does not provide other disposal services. The JCIA does not collect service fees from individual property owners.

The City appropriated \$32,100,000 in Fiscal Year 2009, \$28,000,000 in Fiscal Year 2010, \$26,300,000 in Calendar Year 2011, \$31,300,000 in Calendar Year 2012, \$33,993,916 in Calendar Year 2013, and \$34,600,000 in Calendar Year 2014 to the JCIA.

Jersey City Municipal Utilities Authority. The JCMUA, formerly the Jersey City Sewerage Authority, is responsible for the construction and operation of two pumping stations, at which sewage collected from the City and portions of the City of Union City is pumped to the secondary sewage treatment plant of the Passaic Valley Sewerage Commissioners ("PVSC") at Newark, New Jersey. The JCMUA formerly operated primary sewage treatment plants at the sites of the pumping stations. The Passaic Valley Connection Project, consisting of the pumping stations and connecting sewer lines, was commenced in 1985 and completed in 1989, using certain federal and state grants and funds of the JCMUA, for which the JCMUA issued its bonds. The City of Bayonne and the Town of Kearny each, separately, sought and obtained permission to hook up their own sewage transmission lines to a portion of the JCMUA 's lines, and have agreed to share the costs of the common portions used by them.

The indebtedness of the JCMUA as of December 31, 2013 was \$206,156,132. The JCMUA imposes user charges on all sewer users in its service area, at the rate of \$4.88 per 100 cubic feet of water consumption. The JCMUA imposes user charges on all water users in its service area, at the rate of \$3.58 per 100 cubic feet of water consumption. For 2013, rates for sewer and water increased to \$5.45 and \$3.99, respectively. From its user charge revenues, the JCMUA is required to pay its debt service costs and operating costs of the pumping stations and collector system. The JCMUA also pays, from user charges, operating charges of PVSC which are the obligation of the City.

Pursuant to a Sewer Service Contract between the City and the JCMUA, dated as of December 1, 1985 (the "Sewer Service Agreement"), the City is obligated to pay to the JCMUA any amounts by which the JCMUA's sewer operating expenses and amounts required to be paid or set aside under the JCMUA's bond resolution for its sewer bonds exceed the JCMUA's revenues from user charges. The JCMUA is obligated to increase user charges in future years to make up any such deficiency, and to pay back sums advanced by the City under the Service Contract. No payments by the City have been required since the execution of the Sewer Service Contract.

The Municipal Council adopted an ordinance on December 10, 1997 to reorganize the Sewerage Authority as the JCMUA. The JCMUA and the City initially entered into a water services franchise and service agreement on April 1, 1998 (the "Initial Water Franchise Agreement") pursuant to which a) the JCMUA obtained a franchise from the City to operate the City's Water System for a ten year period which was to terminate on March 31, 2008 and b) the City agreed to provide security for the holders of the obligations of the JCMUA related to the Water System.

The JCMUA and the City agreed in the Amended and Restated Water Services Franchise and Service Agreement dated as of May 1, 2003 (the "2003 Amended Water Franchise Agreement") to: a) provide for the acquisition by the JCMUA from the City of an extension of the franchise granted under the Initial Water Franchise Agreement, in order to operate the Water System through March 31, 2028 (the "2003 Project") and b) provide for

the City to continue to provide security to the holders of obligations of the JCMUA which are issued for or with respect to the Water System for the extended franchise period.

In September 2005, the City and the JCMUA entered into the 2005 Amended and Restated Water Services Franchise and Service Agreement (the “2005 Amended Agreement” and together with the Initial Franchise Agreement and the 2003 Amended Water Franchise Agreement, the “Water Franchise Agreement”) to reflect a payment schedule for the cost of acquiring the City’s water franchise that more accurately reflects the projected availability of revenues to the JCMUA. Pursuant to the Water Franchise Agreement, the JCMUA has agreed to pay the City certain amounts annually from January 1, 2005 to December 31, 2027 for the rights to such franchise, and the City has agreed to convey such franchise rights to the JCMUA and to provide for the payment annually, if necessary, of any deficiencies in Water Revenues of the JCMUA in connection with the Water System. As required by the Water Franchise Agreement, the City, by ordinance adopted on September 14, 2005, consented to the JCMUA’s issuance of \$17,000,000 Water Revenue Refunding Bonds on December 13, 2005, which are secured by the provisions of the Water Franchise Agreement and the Sewer Service Contract.

The Water Franchise Agreement is subject to the existing private management operating agreement in effect between the City and United Water Resources executed in 1996.

Under the Water Franchise Agreement, the City will continue to authorize indebtedness for necessary water capital improvements and the JCMUA will continue to be responsible to reimburse the City for debt service on this indebtedness. The City will also continue its obligation to make payments of any necessary annual charges or deficiency payments in the event the JCMUA does not collect sufficient revenues in any year to provide for the expenses of operation of the Water System, to maintain required reserves, and to pay annual water related debt service when due. Since 1998, the City has not been required to make any annual payment to the JCMUA under the Water Franchise Agreement. The JCMUA has taken a number of financial measures to assure that it can meet all of its operations, maintenance and debt service obligations, including required payments to the City pursuant to the Water Franchise Agreement. These measures include (i) the provision of necessary improvements from time to time to the water and sewer system, (ii) the amendment of the Water Franchise Agreement in order to reschedule the annual payments to the City to more accurately match the revenues projected to be generated by the JCMUA during the life of the Water Franchise Agreement, which runs through December 31, 2027, (iii) a rate increase of 15% effective July 1, 2005, (iv) the approval by the JCMUA of annual CPI rate increases, and (v) the restructuring of certain outstanding water and sewer system debt of the Authority based upon the projected revenues once the rate increases are in effect and the financial measures implemented.

Jersey City Medical Center. The Jersey City Medical Center is a voluntary not-for-profit hospital independent of the City. Previously, the Medical Center had been a public hospital.

The City contributed \$12 million for the construction cost of a new hospital facility in the Liberty Harbor North Redevelopment Area to replace the old Medical Center's buildings. The new building started operation on May 15, 2004.

The County of Hudson

The City is located in the County and, in accordance with the regulations governing financial reporting for New Jersey Municipalities, a pro rata share of certain direct debt of the County is treated as “Overlapping Debt” of the City for financial reporting purposes. See “Schedule of Overlapping Debt” herein.

The County issues its bonds and notes for the financing of capital projects of the County, including County roads, buildings, parks and educational facilities. Major facilities of the County that were financed in recent years include a golf course and administration building. In addition, the County guarantees certain of the debt of the Hudson County Improvement Authority.

The gross debt of the County as of December 31, 2013 was \$1,099,534,929 and its net statutory debt was \$524,060,748.

Municipal Qualified Bond Act

In addition to being secured by the pledge of the City's full faith and credit, certain bonds of the City are entitled to the benefits of the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, Section 40A:3-1, et seq., as amended (the "Municipal Qualified Bond Act"). Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid allocated to the City, in amounts sufficient to pay debt service on such bonds, is to be withheld by the State Treasurer and forwarded to the Paying Agent on or before the principal and interest payment dates for such bonds for deposit into accounts established for the purpose of paying debt service on such bonds.

Pursuant to the provisions of the Municipal Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the Paying Agent, maturity schedule, interest rate or rates and dates of payment of debt service on any Qualified Bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such bonds from the amount of business and personal property tax replacement revenues, State urban aid, State revenue sharing, gross receipts tax revenues (now known as "energy receipts" tax revenues), municipal purposes tax assistance fund distributions and certain other funds appropriated as State aid payable to the City and not dedicated to a specific purpose by the State (the "municipal qualified revenues") an amount which will be sufficient to pay debt service on such bonds as it becomes due. Municipal qualified revenues do not include Aid to Distressed Cities.

The Municipal Qualified Bond Act provides that the municipal qualified revenues so withheld and paid or to be paid to and held by the Paying Agent are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the City other than the payment of debt service on any such Qualified Bonds of the City issued for municipal purposes (including fiscal year adjustment or pension obligation purposes) or water utility purposes and entitled to the benefits of the Municipal Qualified Bond Act.

The Municipal Qualified Bond Act does not relieve the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on any such Qualified Bonds. However, such budgeted amounts may be applied to the payment of operating expenses of the City for the then current year to the extent that appropriated amounts have been withheld from the municipal qualified revenues payable to the City and have been forwarded to the Paying Agent. Such budgeted amounts must be used to pay debt service becoming due on any such Qualified Bonds of the City issued for municipal purposes (including fiscal year adjustment or pension obligation purposes) or water utility purposes and entitled to the benefits of the Municipal Qualified Bond Act in any year in which sufficient municipal qualified revenues are not appropriated.

The State has covenanted in the Municipal Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of municipal qualified revenues and payment of such revenues to the Paying Agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such revenues which is prior in time or superior in right to the payment of debt service on such bonds.

The Municipal Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such amounts or in the manner, time or amount thereof. Further, the amount payable to the Paying Agent does not constitute an additional source of revenues available to the City.

The table below shows the qualified revenues, debt service on bonds subject to the Municipal Qualified Bond Act, and coverage ratios for the last five years. State aid is distributed by the State to the City on a "phased aid" schedule.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Qualified Revenues:					
Energy Receipt Tax:	\$ 51,682,679	\$ 50,323,109	\$ 47,991,697	\$ 17,083,789	\$ 34,736,189
Consolidated Municipal Property Tax Relief Act:	<u>12,162,006</u>	<u>13,526,987</u>	<u>15,852,988</u>	<u>46,439,075</u>	<u>42,604,438</u>
Total Qualified Revenues:	<u>63,844,685</u>	<u>63,850,096</u>	<u>63,844,685</u>	<u>63,522,864</u>	<u>77,340,627</u>
Debt Service:					
General Improvement Bonds:	43,127,075	37,404,452	35,956,272	16,564,209	30,830,103
Water Bonds:	<u>5,254,995</u>	<u>5,520,939</u>	<u>5,736,917</u>	<u>4,764,884</u>	<u>5,868,779</u>
Total Debt Service:	<u>\$ 48,427,070</u>	<u>\$ 42,925,391</u>	<u>\$ 41,693,189</u>	<u>\$ 21,329,093</u>	<u>\$ 36,698,882</u>
Coverage Ratio:	1.32	1.49	1.54	2.98	2.11

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

The City has outstanding bonds, notes and loans for municipal purposes which are not entitled to the benefits of the Municipal Qualified Bond Act. The debt service for the calendar year ending December 31, 2013 was \$4,781,723 for such bonds, \$5,543,710 for such notes, and \$527,833 for such loans. The debt service for the calendar year ending December 31, 2012 was \$4,153,674 for such bonds, \$7,996,577 for such notes and \$606,233 for such loans. The debt service for the calendar year ending December 31, 2011 was \$3,895,916 for such bonds, \$7,491,706 for notes and \$606,229 for such loans. The City may also be responsible for the payment of debt service on the bonds issued by certain independent authorities. See "CITY INDEBTEDNESS AND DEBT LIMITS -- Other City-Related Obligations" herein.

Certain outstanding issues of General Improvement Bonds, Pension Obligation Bonds, Water Bonds and FYABs of the City are entitled to the benefits of the Municipal Qualified Bond Act and certain School Bonds of the City are entitled to the benefits of the School Qualified Bond Act, Title 18A of the New Jersey Statutes, Section 18A:24-85 *et seq.*

School Qualified Bond Act

In addition to being secured by the pledge of the City's full faith and credit, certain bonds of the City are entitled to the benefits of The School Qualified Bond Act, Title 18A of the New Jersey Statutes, Section 18A:24-85 *et seq.*, as amended (the "School Qualified Bond Act"). Pursuant to the School Qualified Bond Act, a portion of the amount of State school aid payable to the school district, in amounts sufficient to pay debt service on such bonds, is to be withheld by the State Treasurer and forwarded directly to the Paying Agent on or before the principal and interest payment dates for such bonds. Those funds are further deposited into accounts established for the purpose of paying debt service on such bonds.

Pursuant to the provisions of The School Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the Paying Agent, maturity schedule, interest rate or rates and dates of payment of debt service on such bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such bonds from the amount of State school aid payable to the school district an amount which will be sufficient to pay debt service on such bonds as it becomes due. For purposes of The School Qualified Bond Act, "State school aid" means funds made available to local school districts pursuant to the Quality Education Act of 1990, N.J.S.A. 18A:7D-4.

The School Qualified Bond Act provides that the State school aid so withheld and paid or to be paid to and held by the Paying Agent are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the City other than the payment of debt service on such bonds and other bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act.

The School Qualified Bond Act does not relieve the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on such bonds. However, such budgeted amounts will be forwarded by the City to the school district, to the extent that appropriated amounts have been withheld from the State school aid payable to the school district and have been forwarded to the Paying Agent. Such budgeted amounts must be used to pay debt service becoming due on such bonds and other bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act in any year in which sufficient State school aid is not appropriated.

The State has covenanted in The School Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of State school aid and payment of such monies to the Paying Agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such monies which is prior in time or superior in right to the payment of debt service on such bonds.

The School Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore or hereafter enacted for the payment of such amounts or in the manner, time or amount thereof. Further, the amount payable to the Paying Agent does not constitute an additional source of revenues available to the City.

The table below shows the qualified revenues, debt service on bonds subject to the School Qualified Bond Act, and coverage ratios for the last five years.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Qualified School Revenues:	\$ 419,644,829	\$ 475,981,648	\$ 417,859,150	\$ 448,968,926	\$ 472,294,327
Total School Debt Service:	12,190,025	12,574,607	14,755,592	7,557,647	15,920,540
Coverage Ratio:	34.43	37.85	28.52	59.41	29.67

New Jersey School Bond Reserve Act

All school bonds issued are also entitled to the benefits of the provisions of the New Jersey School Bond Reserve Act, P.L. 1980 (N.J.S.A. 18A:56-17 et seq.) (the "School Bond Reserve Act").

In accordance with the School Bond Reserve Act, there is established within the State Fund for the Support of Free Public Schools (the "Fund") a school bond reserve (the "Reserve"), which is pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of any issuer thereof to make payments. The school bond reserve consists of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account is to be funded in an amount equal to 1.5% of the aggregate of such issued and outstanding bonded indebtedness for all counties, municipalities and school districts in the State for school purposes for all such indebtedness issued prior to July 1, 2003. The new school bond reserve account is to be funded in an amount equal to 1% of the aggregate of such issued and outstanding bonded indebtedness for all such indebtedness issued on or after July 1, 2003.

The Fund was established in 1817. The present State Constitution, adopted in 1947, provides that “the Legislature shall only appropriate Fund moneys for Public School purposes.” A Constitutional Amendment ratified in 1958 provides that “the Legislature may also appropriate Fund moneys for the payment of principal or interest on any school related Bonds of counties, municipalities or school districts of the State.”

Trustees of the Fund are charged with making an annual determination of the amount of school bonds outstanding and with adjusting the level of the Reserve accordingly, to the extent that moneys are available in the Fund. The State may, but is not required to, appropriate amounts to be deposited in the Fund. The School Bond Reserve Act provides that moneys received from the sale of lands belonging to the State as of 1980 or formerly lying under water are dedicated to the support of public schools and shall constitute a part of the Fund. In the event that proceeds from the sale of State riparian interests are, in the future, made payable by law to purposes other than the Fund, they may not be applied to such purposes so long as there is a deficit in the Reserve.

The State Constitution also provides that the Fund be “securely invested and perpetual in nature.” The School Bond Reserve Act requires that the Reserve be made up entirely of obligations of, or guaranteed by, the United States Government, at least one third of which must mature within one year of issuance or purchase. Investments in the Fund may include stocks, bonds and other investments prescribed by the State Investment Council Regulations.

Under the School Bond Reserve Act, the old school bond reserve account and the new school bond reserve account respectively, are pledged as security for the prompt payment of principal of and interest on bonds issued by counties, municipalities or school districts for school purposes prior to July 1, 2003 (in the case of the old school bond reserve account) or on or after July 1, 2003 (in the case of the new school bond reserve account), in the event any issuer thereof is unable to make payment. Any issuer which anticipates that it will be unable to make such payment is instructed to certify its inability to the Commissioner of Education and the Director of the Division of Local Finance at least 10 days prior to the date payment is due. If the Commissioner and the Director approve the certification, they then certify the same to the Fund Trustees. On receipt of the certification or other notice, the Trustees are required, within the limits of the Reserve, to purchase such bonds at the face amount or pay such interest when due. The amount which may be applied to any one issuer's bonds is not limited. The amount of any such payment of interest or purchase price shall be deducted from the appropriation or apportionment of State aid payable to the issuer and shall not obligate the State to make, nor entitle the issuer to receive, any additional appropriation or apportionment. There have not been any required withdrawals from the Reserve since its establishment.

The School Bond Reserve Act does not contain a covenant by the State to refrain from repealing, revoking, rescinding, modifying or amending the provisions of that act.

CITY FINANCIAL INFORMATION

Audit Requirement

State law requires every municipality to have an annual audit of its books and accounts to be completed within six months after the close of its fiscal year. The audit must be conducted by a registered municipal accountant and the audit report must be filed with the municipal clerk and with the Director.

Copies of the Annual Financial Statements are available for inspection during normal business hours at the office of the City Clerk and a copy of the City's Audited Financial Statements for the Calendar Year ended December 31, 2013 is set forth at APPENDIX B.

Accounting Principles and Fund Structure

Accounting Principles.

The City does not prepare its financial statements in accordance with generally accepted accounting principles (“GAAP”). The City prepares its financial statements in accordance with the accounting policies prescribed by the Division, which differ from those prescribed under GAAP. The accounting policies prescribed by

the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. See “FINANCIAL STATEMENTS OF THE CITY OF JERSEY CITY” in APPENDIX B for a more complete discussion of the City's accounting policies.

Fund Structure.

Under the method of accounting prescribed by the Division, the City accounts for its financial transactions through separate funds which differ from the fund structure required by GAAP. See “FINANCIAL STATEMENTS OF THE CITY OF JERSEY CITY” in APPENDIX B herein for a detailed description of the fund structure utilized by the City.

Basic Financial Statements.

The City presents the financial statements which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

Reporting Entity.

The Division requires the financial statements of component units of the City to be reported separately unlike GAAP pursuant to which there are criteria to be used to determine which component units should be included in the financial statements of the oversight entity. Inasmuch as their activities are administered by separate boards, the financial statements of the Jersey City Board of Education, Jersey City Public Library, Jersey City Incinerator Authority, Jersey City Municipal Utilities Authority, Jersey City Parking Authority, Jersey City Municipal Port Authority and Jersey City Redevelopment Agency are reported separately.

Uniform Chart of Accounts

In an attempt to instill uniformity in financial reporting among the numerous municipal and county entities in New Jersey, the Division of Local Government Services has required the implementation of a Flexible Chart of Accounts (“FCOA”) and Other Comprehensive Basis of Accounting — Comprehensive Annual Financial Report (“OCBOA-CAFR”) by all New Jersey local and governmental entities. Procedures as to implementation dates are still pending by the State.

An important goal of the FCOA is to enable a comparison of local unit expenditures and revenues. Because municipalities and counties have different approaches to budgeting, common budget activity categories have been developed to facilitate comparison. These categories are necessary to prepare the Comprehensive Annual Financial Report and comply with budget regulations.

In order for each municipality and county to maintain the same minimum number of financial records and classify financial transactions in similar account classification structure, a uniform, flexible chart of accounts is already in place. This standardized chart of accounts, (“FCOA”), facilitates the electronic filing of budgets and other financial documents. The City converted its existing account numbers to that of FCOA and OCBOA-CAFR.

Current Fund – Revenues and Expenditures

The Current Fund is used to account for the revenues and expenditures for governmental operations of a general nature, including debt service on general improvement and school bonds, and tax appeal refunding notes. The fund balance in the Current Fund at the end of each fiscal year is comprised of cash, investments and certain receivables. Under State law, only the amount of Current Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's budget, unless the Director gives written consent to an exception.

The information presented in the following tables has been derived from the City's Audited Financial Statements for Fiscal Year 2010, Transition Year 2010, and calendar years ending December 31, 2011, December 31, 2012, and December 31, 2013. The fund balance does not reflect a cash surplus and the balance consists primarily of receivables. The amount of the fund balance that may be used in the succeeding year's budget consists of receivables which have a high probability of being realized in the succeeding fiscal year and which are permitted

by the Director to be included in the succeeding year's budget. Pursuant to the rules of the Division, a large part of the Current Fund balance consists of real property tax refunds which the City has paid and for which it is authorized to issue refunding bonds to reimburse itself for such payment. The fund balances as of 2010 through 2013, and the amounts included in the budget for each succeeding year are shown below:

<u>Fiscal Year Ending</u>	<u>Current Fund Fund Balance</u>	<u>Used in Succeeding Year Budget</u>
December 31, 2013	\$ 38,733,517	\$16,413,000 ⁽¹⁾
December 31, 2012	33,530,567	16,707,232
December 31, 2011	17,974,709	16,010,000
December 31, 2010	21,187,365	15,802,000
June 30, 2010	4,318,949	4,304,000

⁽¹⁾As adopted

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

The following table summarizes the Current Fund revenues for the last five years with a comparison of budgeted revenues and expenses to actual amounts. The tables on the succeeding pages set forth the City's appropriations for the last five years and show the operations and changes in the Current Fund over the past four years.

	December 31, 2013		December 31, 2012		December 31, 2011		December 31, 2010		June 30, 2010	
	<u>Budgeted⁽¹⁾</u>	<u>Realized</u>	<u>Budgeted⁽¹⁾</u>	<u>Realized</u>	<u>Budgeted⁽¹⁾</u>	<u>Realized</u>	<u>Budgeted⁽¹⁾</u>	<u>Realized</u>	<u>Budgeted⁽¹⁾</u>	<u>Realized</u>
Fund Balance Utilized	\$ 16,707	\$ 16,707	\$ 16,010	\$ 16,010	\$ 15,802	\$ 15,802	\$ 4,304	\$ 4,304	\$ 12,096	\$ 12,096
Municipal Levy	217,731	222,768	201,986	211,137	201,991	196,695	97,154	96,039	185,059	184,511
Addition to School Tax Levy	6,714	6,714	6,926	6,926	6,457	8,128	4,163	4,163	7,507	7,507
Minimum Library Tax	5,902	5,902	6,209	6,209	6,659	6,659				
Delinquent Taxes	342	1,028	1,890	725	3,677	3,417	-	139	564	415
Miscellaneous Revenue Anticipated:										
Building Aid Allowance for										
Schools	5,476	5,476	5,649	5,649	8,299	6,628	3,395	3,395	8414	8,414
Consolidated Municipal Property Tax										
Relief Aid	12,162	12,162	13,527	13,527	15,853	15,853	46,439	46,439	34,736	34,736
Miscellaneous	186,206	208,191	178,689	192,510	182,001	188,964	79,687	80,674	190,429	187,576
Energy Receipt Tax	51,683	51,683	50,318	50,318	47,992	47,992	17,084	17,084	42,604	42,604
Municipal Utilities Authority										
Franchise	13,000	13,000	12,500	12,500	12,000	12,000	3,500	3,500	16,000	16,000
Special Municipal Aid	-	-	-	-	-	-	-	-	14,000	14,000
Total Miscellaneous Revenue										
Anticipated	<u>268,527</u>	<u>290,512</u>	<u>260,683</u>	<u>274,504</u>	<u>266,145</u>	<u>271,437</u>	<u>150,105</u>	<u>151,092</u>	<u>306,183</u>	<u>303,330</u>
Unanticipated Revenues (Non Budget)	<u>-</u>	<u>1,699</u>	<u>-</u>	<u>1,369</u>	<u>-</u>	<u>1,178</u>	<u>-</u>	<u>3,221</u>	<u>-</u>	<u>3,885</u>
Total Revenues	<u>\$ 515,923</u>	<u>\$ 545,329</u>	<u>\$ 493,704</u>	<u>\$ 516,880</u>	<u>\$ 500,731</u>	<u>\$ 503,316</u>	<u>\$ 255,726</u>	<u>\$ 258,958</u>	<u>\$ 511,409</u>	<u>\$ 511,744</u>

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

⁽¹⁾ Includes amendments to the budget subsequent to adoption, such as grant awards.

	Appropriations In Thousands				
	December <u>31, 2013</u>	December <u>31, 2012</u>	December <u>31, 2011</u>	December <u>31, 2010</u>	June <u>30, 2010</u>
Operating Expenses					
Salaries and Wages	\$ 198,098	\$ 190,700	\$ 188,215	\$ 107,391	\$ 209,767
Pensions	51,184	49,374	54,407	6,209	47,394
Health Benefits	75,014	77,483	67,324	40,825	67,100
Deferred Charges	22,609	5,810	3,669	158	94
Other Expenses	113,279	121,014	116,804	61,968	126,091
Reserve for Uncollected Taxes	<u>1,528</u>	<u>3,760</u>	<u>1,869</u>	<u>8,174</u>	<u>1,692</u>
Total	<u>461,712</u>	<u>448,141</u>	<u>432,288</u>	<u>224,725</u>	<u>452,138</u>
 Capital Debt Service	 51,691	 42,426	 41,921	 17,785	 37,365
School Debt Service	12,190	12,575	14,756	7,558	15,921
Tax Refunds and Operational Debt Service⁽¹⁾	<u>7,013</u>	<u>13,175</u>	<u>11,766</u>	<u>5,578</u>	<u>5,985</u>
 Total	 <u>\$ 532,605</u>	 <u>\$ 516,317</u>	 <u>\$ 500,731</u>	 <u>\$ 255,726</u>	 <u>\$ 511,409</u>

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

⁽¹⁾ Represents payments for bonds issued by prior administrations to finance operating deficits and refunds of past property tax over-charges.

Statement of Operations and Changes in Fund Balance In Thousands

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	June 30, 2010
Revenue and Other Income Realized:					
Fund Balance Utilized.....	\$ 16,707	\$ 16,010	\$ 15,802	\$ 4,304	\$ 12,096
Miscellaneous Revenue Anticipated	290,512	274,503	271,437	151,092	303,330
Current Year Taxes	440,629	427,104	407,053	204,422	376,140
Delinquent Taxes	1,028	725	3,417	139	415
Non-Budget Revenue	1,699	1,369	1,177	3,222	3,885
Other Credits to Income:					
Unexpended Balance of Appropriations Reserves	4,674	11,482	8,978	5,100	3,608
Cancellation of Reserves	1,477	918	-	-	-
Cancellation of Contracts Payable & Checks	1,032	293	576	134	386
Miscellaneous	691	434	628	4	649
Interfunds Liquidated	214	30	3	9	9
Total Revenue and Other Income Realized	<u>758,661</u>	<u>732,868</u>	<u>709,071</u>	<u>368,426</u>	<u>700,518</u>
Expenditures:					
Budget and Emergency Appropriations:					
Appropriations Within "CAP" Operations:					
Salaries and Wages	198,098	190,670	187,965	103,557	209,767
Other Expenses	159,532	165,760	148,956	84,003	131,081
Deferred Charges and Statutory Expenditures	51,184	49,374	54,407	6,595	27,682
Appropriations Excluded from "CAP" Operations:					
Salaries and Wages	-	-	-	-	-
Other Expenses	35,782	32,040	47,552	18,586	81,073
Capital Improvements	600	1,341	544	272	544
Municipal Debt Service	58,705	54,978	53,687	23,443	43,350
Deferred Charges -- Municipal	14,988	5,810	3,307	17	300
Local School District Purposes	12,190	12,575	14,756	7,558	15,921
Reserve for Uncollected Taxes	1,528	3,760	1,869	8,174	1,692
School Taxes	107,392	105,403	103,336	57,295	93,012
County Taxes	97,853	97,428	91,740	46,925	90,821
Amount Due County on Added & Omitted Taxes	-	-	495	-	289
Miscellaneous	8,304	5,569	488	126	861
Interfunds Created	96	214	30	3	0
Total Expenditures	<u>746,251</u>	<u>724,922</u>	<u>709,132</u>	<u>356,554</u>	<u>696,393</u>
Excess (Deficit) in Revenue	12,410	7,946	(61)	11,872	4,125
Adjustments to Income before Fund Balance:					
Special Emergency Authorization Storm Sandy	-	16,000	-	-	-
Over expenditure of Appropriations	-	7,620	-	-	-
Expenditures included above which are by Statute					
Deferred Charges to Budget of Succeeding Year	-	-	3,150	-	-
Emergency Appropriation	9,500	-	9,500	9,300	-
Excess in Operations After Adjustment	21,910	31,566	12,589	-	-
Fund Balance Beginning of Year	<u>33,531</u>	<u>17,975</u>	<u>21,187</u>	<u>4,319</u>	<u>12,290</u>
	55,441	49,541	33,776	25,491	16,415
Amount Utilized as Anticipated Revenue	16,707	16,010	15,802	4,304	12,096
Fund Balance, End of Year	<u>\$ 38,734</u>	<u>\$ 33,531</u>	<u>\$ 17,974</u>	<u>\$ 21,187</u>	<u>\$ 4,319</u>

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

CITY REVENUES

Overview

The City derives its revenues from a variety of local taxes, user charges and miscellaneous revenues, as well as from Federal and State unrestricted and categorical grants. Local revenues provided approximately 8% of total revenues in Calendar Year 2013 while Federal and State aid, including unrestricted aid and categorical grants, provided 13%. A discussion of the City's principal revenue sources follows.

Cash Flow Management

While State law requires the City to adopt and operate under a balanced budget and the City has not had a cash deficit at the end of any of the last ten fiscal years, the City's historic experience in the timing of the receipt of its various revenues has shown significant variance. The management of matching receipts and expenditures for operating purposes has required the use of significant amounts of temporary interfund transfers between operating and capital accounts. The City has undertaken an initiative to analyze and report cash flows (receipts and expenditures) on a monthly cycle to enable better matching of receipts with expenditures during each fiscal year. However, as long as the receipt of substantial appropriated revenues is dependent upon State, Federal and special program sources, there is no certainty that additional temporary interfund transfers or other short-term funding mechanisms will not be required should temporary cash flow imbalances persist.

Real Estate Tax

The real estate tax, the single largest source of the City's local revenues, is the primary source of funds for the City's Current Fund. The City derived approximately 42% of its total revenues for Calendar Year 2013 from the City's portion of the real estate tax.

The amount of real property taxes payable by a property owner is based on the assessed value of the property taxed and the combined tax rate for the City, the County and the School District. The assessed value of property is determined by the City's Tax Assessor. Although property may be reassessed at any time, the Tax Assessor generally reassesses property upon a revaluation and upon a resale. The last revaluation took place in 1988. The City's tax rate is determined by the City after adopting the final budget. The City's tax rate is determined based on the amount of budgeted expenditures, the amount of other available revenues and the aggregate assessed value of all taxable property in the City. The tax rates allocable to the County and School District are determined based on their respective budgets. The City must submit its tax rate to the County which certifies the aggregate rate to be levied.

Analysis of Tax Rates and Percent Distribution Rate Per \$1,000 Assessed Valuation

<u>Year</u>	<u>Total</u>	<u>Municipal⁽¹⁾</u>	<u>Percent of Total</u>	<u>County</u>	<u>Percent of Total</u>	<u>County Open Space Tax</u>	<u>Percent of Total</u>	<u>School</u>	<u>Percent of Total</u>
2014	\$ 74.34	\$ 37.68	50.69%	\$ 17.12	23.03%	\$ 0.17	0.23%	\$ 19.37	26.06%
2013	74.66	38.45	51.50%	16.51	22.11%	0.07	0.09%	19.63	26.29%
2012	71.84	35.85	49.90%	16.33	22.73%	0.32	0.45%	19.34	26.92%
2011	70.07	35.64	50.86%	15.50	22.13%	0.17	0.24%	18.76	26.77%
2010	69.03	35.68	51.69%	14.96	21.67%	0.40	0.58%	17.99	26.06%
2009	60.01	28.58	47.62%	14.70	24.50%	0.40	0.67%	16.33	27.21%

⁽¹⁾ Includes library tax

Source: Derived from the County Board of Taxation Certification

Tax Collection Procedure. Taxes are payable quarterly on January 15, May 1, July 15 and November 1. Tax bills are sent out twice during the year, generally in December and June. The bill for taxes payable in February and May is based on the assessed value of the property as of January of the preceding year. The bill for taxes

payable in August and November reflects adjustments made so that the taxes paid for the calendar year reflect the assessed value of the property as of January of the current year.

The City is required to send out tax bills at least 45 days before the taxes are due; however, if the budget has not been adopted by that time, the City may delay sending out the bills to a date at least 25 days before the taxes are payable. If the budget has not been adopted by that time, the bill is based on an estimated rate and the second bill will be adjusted to compensate for any difference between the actual rate and the estimated rate. Taxpayers are allowed a 10-day grace period for paying their taxes. Interest is charged on any late payments of taxes from the date the taxes were due until they are paid at a rate of 8% per annum for the first \$1,500 of delinquent taxes and 18% on any delinquent amount in excess of \$1,500. All unpaid taxes for the previous year are annually placed in a tax sale prior to putting a lien on the property, in accordance with the New Jersey Statutes. If the tax lien is sold, depending upon the amount of the lien sold, there is an additional penalty of 2%, 4% or 6%. *In rem* tax foreclosure proceedings may be instituted to enforce the tax collection or acquisition of title to the property by the City.

The City collects taxes for itself and for the County and the School District. The City pays to the County and the School District 100% of the amount of taxes billed by those entities, regardless of the number of taxpayers that are delinquent. The City pays the County its share of real property taxes quarterly (on February 15, May 15, July 15 and November 15) and pays the School District its share monthly.

Equalization Rate and Tax Collection Rates

The State determines, based on market data, the relationship between the assessed value of property and the “true value” or market value of the property. The State then calculates the equalization rate, which is the assessed value divided by the true value, expressed as a percentage. The assessed value divided by the equalization rate provides the equalized value, which is the value used to calculate the City's debt limit. See “CITY INDEBTEDNESS AND DEBT LIMITS - Debt Limits” herein. The following table sets forth the assessed valuation, equalization rate and equalized value of property in the City of the last 7 calendar years.

Assessed Valuations

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Land and Improvements⁽¹⁾</u>	<u>Personal Property</u>	<u>Net Valuation Taxable⁽²⁾</u>	<u>Equalization Ratio</u>	<u>Equalized Valuation of Taxable Real Property</u>
2013	\$ 1,503,278,191	\$ 4,362,050,129	\$ 5,795,484,581	\$ 19,086,697	\$ 5,814,571,278	31.24	\$ 18,570,573,832
2012	1,500,089,405	4,376,448,593	5,786,339,559	21,453,769	5,807,793,328	32.72	17,705,865,624
2011	1,515,126,836	4,442,100,557	5,834,023,804	19,573,239	5,853,597,043	31.35	18,628,899,568
2010	1,528,404,530	4,492,765,836	5,874,234,666	16,691,940	5,890,926,606	29.43	19,976,714,590
2009	1,540,763,703	4,611,950,913	5,929,988,016	16,702,721	5,946,690,737	26.75	22,184,882,220
2008	1,519,080,921	4,615,552,206	5,936,514,827	17,294,746	5,953,809,573	25.64	23,170,628,705
2007	1,485,182,748	4,411,479,705	5,697,281,578	18,737,661	5,716,019,239	26.12	21,830,688,572

Source: The City of Jersey City, Office of the Tax Assessor

⁽¹⁾ Includes partial exemptions and abatements.

⁽²⁾ Excludes properties exempt from real property taxes.

Taxpayers are required to pay taxes based on the assessed value of their property and then are permitted to appeal. If the taxpayers are successful on appeal, they will receive a refund. Appeals by property owners required the City to make refunds of tax payments in the amounts of approximately \$11.4 million, \$7.2 million, \$5.5 million, \$8.4 million, and \$5.6 million in the years 2009 through 2013, respectively. The City is authorized to issue bonds to reimburse itself for payments made pursuant to successful tax appeals. The City has not authorized the issuance of

bonds to fund tax appeals since 2011. See “CITY INDEBTEDNESS AND DEBT LIMITS – Exception to Debt Limit - Real Property Tax Appeal Refunding Notes” herein.

The following table sets forth the amount of taxes levied in each year and the amount and percentage of such levy collected or canceled. In addition, the table sets forth the amount and percentage of delinquent taxes from all prior years collected in a particular year, the amount transferred to tax lien, the tax lien balance, and the value of foreclosed property acquired by the City. The tax collection rate in the Calendar Year ending December 31, 2013 was 99.16%.

Analysis of Real Estate Tax Billings and Collections

<u>Tax Billings</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Municipal ⁽¹⁾	\$ 230,843,162	\$ 210,197,174	\$ 210,405,768	\$ 95,715,640	\$ 192,033,748
School	114,105,988	112,329,149	109,793,522	57,295,422	93,012,049
County	<u>97,852,919</u>	<u>97,428,307</u>	<u>92,235,470</u>	<u>46,924,702</u>	<u>91,110,417</u>
Total Billings	<u>\$ 442,802,069</u>	<u>\$ 419,954,630</u>	<u>\$ 412,434,670</u>	<u>\$ 199,935,764</u>	<u>\$ 376,156,214</u>
Taxes Collected	439,100,320	416,731,470	406,028,302	197,092,362	374,490,278
Percent Collected	99.16%	99.23%	98.45%	98.58%	99.56%
Taxes Canceled or Remitted	2,606,875	603,231	3,451,205	1,692,951	589,050
Delinquent Taxes Collected, Including Liens	1,027,576	2,180,348	3,378,322	139,129	414,801
Total Current and Delinquent Collected	440,127,896	418,911,818	409,406,624	197,231,491	374,905,079
Percent Collected ⁽²⁾	99.40%	99.75%	99.27%	98.65%	99.67%
Delinquent Tax Balance Current Year	201,344	270,070	1,952,065	1,080,416	104,709
Prior Year's Tax Balance	2,566,929	2,379,507	799,556	68,846	6,170
Taxes Receivable Balance	2,632,909	2,649,577	2,751,621	1,149,262	110,879
Transferred to Tax Title Liens Current Year	65,980	16,399	1,003,188	-	190,177
Tax Title Lien Balance	326,028	114,206	1,468,623	504,551	318,748
Foreclosed Property Balance	1,591,500	1,652,600	2,258,000	2,955,000	2,300,600

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

(1) Includes Minimum Library Tax of \$5,901,949 for 2013 and \$6,209,626 for 2012.

(2) Includes receipts and balances of current taxes, delinquent taxes and tax title liens.

No one taxpayer is responsible for more than \$4.5 million of real property taxes, and the ten entities that paid the most real property taxes in 2013 do not, in the aggregate, exceed 7.08% of the total levy. Listed below are the taxpayers whose property has the greatest assessed valuations in the City.

Ten of the Largest Assessed Valuations in the City

<u>Name</u>	<u>Type of Business</u>	<u>2014 Assessed Valuations</u>
Mack Cali	Office	\$ 214,694,300
Newport Centre (Rego Park)	Mixed - Retail, Office, Hotel, Development	58,625,700
Newport Centre, LLC (Indianapolis)	Shopping	58,088,000
MEPT Newport Tower	Office	45,000,000
John Hancock Life Insurance	Office	43,215,400
Wells REIT	Office	38,625,000
Grove Pointe Urban Renewal	Development	34,512,100
RREEF America REIT II	Warehousing	30,406,200
PKG Associates, LLC	Mixed - Retail, Office, Residential	27,169,700
GAIA Journal Square	Development	26,133,600

Tax-Exempt Properties. As of December 31, 2013, approximately 45.1% of the total assessed value of the City's real property was exempt from real property taxation. However, certain user fees and Municipal Utility charges must be paid.

Tax-Exempt Properties in the City

	<u>2013 Assessed Valuation</u>
Public Schools.....	\$ 266,891,300
Schools Other Than Public	73,502,800
Public Property	1,414,038,100
Church and Charities.....	187,426,450
Cemeteries	35,220,800
Miscellaneous (includes Jersey City Redevelopment Agency, Jersey City Parking Authority and Jersey City Housing Authority).....	<u>2,795,123,070</u>
Total:	<u>\$ 4,772,202,520</u>

Source: The City of Jersey City, Office of the Tax Assessor.

Properties in Tax Abatement. Under the provisions of State law, the City may abate the taxes payable on newly constructed commercial and residential properties. The owners of such properties generally pay taxes on the value of the land on which the property is located but, pursuant to agreements with the City, pay payments-in-lieu-of-taxes (“PILOTs”) on the value of the improvements on the property instead of taxes. Such abatements are used as an incentive to encourage development in areas within the City. State law provides different abatement programs for commercial and residential development. The law allows a 15-year abatement period during which the taxes on the improvements on property could be abated and PILOTs charged instead. The PILOTs for commercial properties were based on the construction cost of the property (initially 2% of the costs) or on the revenues received from leasing of the property. The law also allows for a 5-year short-term abatement period in which PILOTs are based on a percentage of what the tax bill otherwise would have been. Residential property is eligible for a 30-year abatement period and the PILOTs for residential property are based either on the sale price of the property (if condominiums are involved) or the rent roll (for a rental property). In April 1992, the law was amended to allow an abatement period of up to 30 years for commercial property, also during which PILOT payments are the higher of an amount based on construction costs and a percentage of the taxes that would have been payable. However, the City has made it a policy to only grant 30 year abatements for affordable housing projects.

In addition to the difference between the amount of a PILOT and the amount of taxes, PILOTs differ from taxes in two other ways. First, PILOTs are paid to the City and no portion of the PILOT is payable to the County or the School District. Second, there is no incentive for a property owner to appeal the assessed value of the property while it is subject to abatement. Therefore, it is not clear whether the assessed value determined during the abatement period will be appealed when the property is no longer subject to abatement. When the abatement period ends, the property becomes subject to taxation on both the land and improvements. See “CITY ECONOMIC AND DEMOGRAPHIC INFORMATION” and “ECONOMIC DEVELOPMENT” herein.

The City's authority to enforce payments in lieu of taxes and the remedies available to it for delinquent payments are the same as those for real property taxes, including sale of liens and foreclosures. In addition, the City may revoke the taxpayers' ability to make payments in lieu of taxes. Further, the City has engaged the services of several independent accounting firms to review the records of properties in abatement to ensure the accurate reporting of development costs upon which payments in lieu of taxes are calculated.

**Municipal Revenues From Payments In Lieu Of Taxes (PILOT)
On Properties In Tax Abatement**

<u>Year Ending</u>	<u>PILOT Revenue</u>
December 31, 2013	\$122,615,865
December 31, 2012	115,715,886
December 31, 2011	100,077,085
December 31, 2010	46,156,328
June 30, 2010	88,123,057
June 30, 2009	85,978,250
June 30, 2008	81,404,525
June 30, 2007	81,133,691
June 30, 2006	78,663,177
June 30, 2005	73,912,546
June 30, 2004	55,951,318
June 30, 2003	48,484,898
June 30, 2002	53,370,136
June 30, 2001	55,882,688
June 30, 2000	31,193,976

The estimated development cost of the 35 major commercial properties currently covered by abatements exceeds \$3 billion.

Listed below are the five entities which were responsible for the highest PILOT payments in Calendar Year 2013.

Five Largest PILOT Payers

<u>Name</u>	<u>Calendar Year Payment Amount</u>
Vector	\$ 4,082,914
Goldman Sachs	4,010,635
Tower East	3,937,561
Port Liberte II	3,935,999
Cali Harbor Plaza V	<u>3,236,002</u>
TOTAL	<u>\$ 19,203,111</u>

Source: Derived from The City of Jersey City, Office of Tax Abatement.

Delinquent taxes can be anticipated only to the extent of the last preceding year's delinquent tax collection percentage.

The following chart shows the amount and percentage of delinquent taxes budgeted for collection by the City and the amount and percentage of delinquent taxes which were actually collected in such fiscal year, for the last five years. The amount of delinquent taxes represents an aggregate amount of unpaid taxes for all prior years.

Delinquent Taxes and Tax Title Liens

<u>Year Ending</u>	<u>Balance of Delinquent Taxes at Start of Year</u>	<u>Budgeted Amount of Delinquent Taxes to Be Collected</u>	<u>Percent of Delinquent Taxes Budgeted to be Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Percent of Delinquent Taxes Collected</u>
December 31, 2013	\$ 2,649,577	\$ 342,386	0.13%	\$ 1,027,577	0.39%
December 31, 2012	2,751,621	1,889,554	0.69%	725,068	0.26%
December 31, 2011	1,653,813	3,676,758	2.22%	3,378,322	2.04%
December 31, 2010	429,627	-	0.00%	139,129	0.32%
June 30, 2010	1,406,051	564,154	0.40%	414,801	0.29%

Source: The City of Jersey City, Office of the Tax Collector.

The City currently reviews the status of real property with outstanding delinquent taxes to institute a more rapid disposition of property through foreclosure and sale. The City usually sells tax liens annually at auction and retains unsold liens. In 2012 and 2013 the City sold an aggregate of \$7,331,769 and \$10,638,535 of tax title lien certificates, respectively.

Property Tax Reform. In recent years, the New Jersey Legislature has considered various proposals to lessen the dependence of local governments on property taxes and to find alternative means to fund vital governmental services.

On July 13, 2010, the Governor approved legislation which, in addition to the "Cap Law" described under "THE CITY OF JERSEY CITY - Limitation on Expenditures" above, amends the property tax levy cap that was initially enacted in 2007. This law puts a limitation of 2% on the property tax levy set in the annual budget. The law allows for exclusions for capital expenditures, debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, and increases in health care costs in excess of 2%. This limitation may be

exceeded by approval of an affirmative vote in excess of 50% of the people voting at a special referendum held for such purpose.

The tax levy limitation does not limit the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service on the Notes.

Any legislation or constitutional amendments which alter the existing system of real property taxation in New Jersey may adversely affect the security and/or market value of bonds, notes and other obligations of counties and municipalities (such as the City).

State Aid Programs

The State of New Jersey provides financial support to local governments and school systems through various programs aimed at reducing reliance on the local property tax base. As described below, the City received or receives (i) urban enterprise aid, (ii) aid on distributed tax and (iii) aid on State reimbursement for certain categories of taxpayers. The State maintains a variety of smaller programs of grants-in-aid to municipalities in such fields as housing, neighborhood preservation, health, and social services, and has assumed funding of other programs previously financed by the City, thereby relieving the City from funding such costly programs. The City is allowed a credit for certain administrative charges under Federal programs.

Urban Enterprise Zone Funds. Under the State's Urban Enterprise Zone program which is administered by the State Department of Commerce and Economic Development, Division of New Jersey Urban Enterprise Zones, three percent (3%) of the sales tax levied by the State on certain specified goods and services paid by certified businesses operating within specially-created urban enterprise zones is paid into a segregated account within the State's Zone Assistance Fund for the benefit of the municipality in which the zone is located. To encourage businesses to locate in urban enterprise zones, the State exempts certified urban enterprise zone businesses from State sales taxes on equipment and supplies utilized in daily operations, as well as building materials. Monies held for the account of a municipality within the Zone Assistance Fund may be used to pay for capital projects or municipal services, following the filing of an application by the municipality and approval of the application by the members of the State Urban Enterprise Zone Authority.

One-third of the City's total acreage qualifies as a State-approved "urban enterprise zone". The City's urban enterprise zone incorporates the major retail corridors located within the City, as well as its primary commercial and industrial areas. The City has utilized the funds it has received under the State Urban Enterprise Zone Program for capital improvements, economic development, redevelopment, special improvement districts and business improvement districts.

Distributed Taxes. The State collects various taxes for distribution to local governments. Of these, Energy Receipt Tax (formerly known as Public Utilities Franchise and Gross Receipts Taxes) and Consolidated Municipal Property Tax Relief Aid are the two largest programs of State Aid in New Jersey and the major sources of state aid to the City. The energy receipt tax represents taxes received by the State on properties and right-of-ways owned by public utilities. These funds are disbursed to municipalities based on a formula reflecting such property located within each municipality. The consolidated municipal property tax relief aid, created in fiscal year 1996, consolidated 14 separate state programs (i.e., urban aid, business personal property tax replacement aid and municipal revitalization aid) into a single aid program. The distressed cities program provides financial assistance to eligible municipalities to enable them to meet immediate budgetary needs and regain financial stability. The amount of aid received by the City under this program declined from \$10,500,000 in fiscal year 2002 to \$2,000,000 in fiscal year 2003. In 2004, the City withdrew from the Distressed Cities Program, and in 2009 the City received \$5,000,000 in aid under this program and \$14,000,000 in 2010. Building Aid Allowance for School represents state aid to support the public educational programs in the City including aid on facilities construction and improvements. The remaining other major source of State aid to the City, legislative initiative municipal block grant program, represents general aid to the City to reduce its reliance on property taxes.

The chart below provides the amount of State aid received by the City in the last five fiscal years. Certain State aid is required to be withheld by the State Treasurer and paid to the paying agents for certain bonds of the City

in an amount sufficient to pay debt service on such bonds. See “CITY INDEBTEDNESS AND DEBT LIMITS — Municipal Qualified Bond Act” and “– School Qualified Bond Act” herein.

State Aid to Jersey City

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
Urban Enterprise Zone Funds	\$ 501,725	\$ 2,010,808	\$ 9,692,508	\$ 4,457,789	\$ 8,050,236
Energy Receipt Tax	51,682,679	50,317,698	47,991,697	46,439,0759	42,604,435
Distressed Cities Program ⁽¹⁾	-	-	-	-	14,000,000
Building Aid Allowance for School ⁽²⁾	5,475,816	5,648,572	8,298,847	3,394,931	8,413,626
Consolidated Municipal Property Tax Relief Act	<u>12,162,006</u>	<u>13,526,987</u>	<u>15,852,988</u>	<u>17,083,789</u>	<u>34,736,189</u>
TOTALS:	<u>\$ 69,822,226</u>	<u>\$ 71,504,065</u>	<u>\$ 81,836,040</u>	<u>\$ 71,375,584</u>	<u>\$ 107,804,487</u>

Source: Derived from the Fiscal Year 2010 and Calendar Year 2010-2013 Audited Financial Statements of the City.

⁽¹⁾ The State withheld \$7.34 million of the Distressed Cities Aid for the Police and Fire Pension System Savings Act Legislation.

⁽²⁾ Supplemental School Tax Relief allows state-operated schools to reduce the tax levy for school purposes.

Tax Exemption Reimbursement. The State reimburses municipalities for the full cost of mandated property tax deductions and exemptions for certain categories of taxpayers. For Fiscal Year 2010, the State reimbursed the City for seniors/veterans/disabled citizens in the amount of \$802,000. For Transition Year 2010 and the calendar years ending December 31, 2011, December 31, 2012, and December 31, 2013, the State reimbursed the City \$29,500, \$794,696, \$708,973, and \$653,544, respectively.

Summary of State/Federal Aid to School Districts

In 1973, the Supreme Court of the State ruled in Robinson v. Cahill that the existing method of financing, school costs principally through property taxation was unconstitutional. Pursuant to the Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, Ch. 212) which required funding of the State's School Aid through the New Jersey Gross Income Tax Act (P.L. 1975, Ch. 47) enacted for the purpose of providing property tax relief.

On June 5, 1990, the Supreme Court ruled in Abbott v. Burke, that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy districts were able to spend more, yet tax less for educational purposes.

The Quality Education Act of 1990

The Legislative response to Abbott v. Burke was the passage of the QEA (P.L. 1990, C. 52), which was signed into law on July 3, 1990. This law established a new formula for the distribution of State aid for public education commencing with the 1991-92 fiscal year. The law provided a formula that took into account property value and personal income to determine a district's capacity to raise money for public education. A budgetary limitation or “CAP” on expenditures was also provided in the law. The “CAP” was intended to control the growth in local property taxes. The QEA was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of New Jersey, effective March 14, 1991 and further amended by Chapter 7 of the Pamphlet Laws of 1993 effective December 14, 1993.

On July 12, 1994, the Supreme Court of New Jersey declared the school aid formula under the QEA, as amended, unconstitutional on several grounds as it is applied to the 30 special needs districts designated by the State

in ongoing litigation commonly known as Abbott v. Burke II. The City's school district is a special needs district. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996, so that the new formula would be implemented in the 1997-98 fiscal year.

Comprehensive Educational Improvement and Financing Act of 1996

In keeping with the Supreme Court's deadline, Governor Christine Todd Whitman signed into law on December 20, 1996, the *Comprehensive Educational Improvement and Financing Act of 1996* ("CEIFA"). CEIFA affects how public schools are funded by the State, beginning in the 1997-98 fiscal year.

CEIFA departs from other funding formulas adopted in New Jersey by defining what constitutes a "thorough and efficient" education, which is what the New Jersey Constitution requires every public school student to receive. CEIFA further establishes the costs to provide each student with an education that is "thorough and efficient."

In defining what constitutes a "thorough" education, the New Jersey State Board of Education adopted a set of Core Curriculum Content Standards. The purpose of these standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any New Jersey high school, regardless of the school's location or socioeconomic condition. CEIFA provides State aid assistance in the form of Core Curriculum Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Content Standards.

The definition of an "efficient" education under CEIFA determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrators/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. CEIFA establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, CEIFA considers each school district's financial ability to fund such a level of education. This component of CEIFA is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, CEIFA also provides per pupil assistance from the State for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools, and distance learning network. For Fiscal Year 2012-2013, the school district received Equalization Aid (formerly known as Core Curriculum Standards Aid) in the amount of \$269,862,609.

Another form of aid that is provided by CEIFA is school facilities aid. During the 1997-1998 fiscal period, this type of aid was provided to those school districts that qualified for aid under the QEA. The amount of school facilities aid that the State provided during the 1997-98 fiscal year was determined by the amount budgeted in the approved State budget.

Beginning in the 1998-99 fiscal year, State aid for school facilities was supposed to consist of a ratio that divides (i) the amount of debt service or the amount of facilities rent for lease terms that exceed five years required to be budgeted for a fiscal period into (ii) the costs that are approved by the New Jersey Department of Education for a proposed building or renovation project. The approved facility costs under CEIFA have not yet been determined. CEIFA required the governor to submit to the legislature 60 days prior to the 1998 budget address, criteria for determining approved facilities costs, State support levels, and maintenance incentives applicable to the 1998-99 fiscal period. The Legislature enacted and the Governor signed into law the Educational Facilities Construction and Financing Act ("EFCFA"), constituting Chapter 72 of the Pamphlet Laws of 2000, effective July 18, 2000. That law provides full funding for qualified costs of facilities required for Abbott Districts and funding for qualified costs of

facilities for all other districts in an amount equal to the ratio between their core curriculum facilities aid and their T&E budget times 115% or 40% of the qualified costs, whichever is greater. In lieu of debt service aid, school districts may receive grants for the State share of the project and authorize bonds only for the local share of the project. School districts may receive debt service aid under that formula for certain projects begun prior to the effective date of the law. On December 28, 2000, a Complaint was filed in the Superior Court of New Jersey challenging the authority of the Economic Development Authority under the State Constitution's Debt Limitation clause to issue bonds secured by a contract with the State Treasurer, the funding of which is subject to annual appropriation, and requesting that the Court grant an injunction restraining the State and the New Jersey Economic Development Authority from issuing bonds to fund the State's financial obligation under the Educational Facilities Construction and Financing Act. On January 24, 2001, the Superior Court of New Jersey granted the State's motion to dismiss the case as a matter of law. The Plaintiff filed a notice of appeal on February 5, 2001.

CEIFA also limits the amount school districts can increase their annual current expenses and capital outlay budgets. Generally, these budgets can increase by either 3% or the consumer price index, whichever is greater. Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed \$40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election.

Under CEIFA, rent payments made pursuant to a facilities lease purchase agreement for a term that exceeds five years are treated as debt service. Such rent payments are not included in the spending limits and receive aid at the same level as debt service. Rent payments under a facilities lease with a term of five years or less are budgeted in the general fund and are subject to a school district's spending growth limitation amounts under CEIFA.

On May 14, 1997, the New Jersey Supreme Court held that CEIFA is unconstitutional as applied to the 28 special needs districts because (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. The Court recognized the Core Curriculum Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the State did not adequately determine or provide the adequate funding level to allow those standards to be met in the special needs districts. CEIFA was not held unconstitutional as applied to the non-special needs districts. The School District is not a special needs district.

The Court ordered the State (1) to increase State aid to the special needs districts for the 1997-98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts, (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the educational content standards and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the special needs districts.

Provisions for the additional amounts of money were appropriated in the 1997-98 State budget. The Court has ruled that the Commissioner and the State Department of Education will be responsible for maintaining the educational system in accordance with the orders of the Court.

In response to the Court's order and in an attempt to remedy inadequacies that exist in the safety, the quality and the utility of state-wide school facilities, the New Jersey Legislature enacted the EFCFA. See "Summary of Educational Facilities Construction and Financing Act" herein. The EFCFA provides certain levels of funding for facilities' improvements for both special needs and non-special needs districts. Under EFCFA, special needs districts will receive State funding of 100% of the eligible costs of a school facilities project. The State will provide non-special needs districts with facilities aid of at least 40% of the eligible costs of a school facilities project. A non-special needs district must elect to receive its level of facilities aid in either the form of a grant or ongoing annual debt service aid.

On June 27, 2001, the Superior Court of New Jersey, Appellate Division, affirmed the trial court's decision that no public referendum is required for the State's bonds under the EFCFA. By a 2-to-1 majority, the Appellate Division held that the Debt Limitation Clause of the State Constitution is not violated by the EFCFA. On appeal,

the New Jersey Supreme Court held that the EFCFA and its provisions authorizing the EDA's issuance of bonds do not violate the Debt Limitation Clause of the State Constitution.

On June 24, 2004, the Legislature enacted amendments to CEIFA, which amendments impose strict limits on annual increases in their operating budgets. Commencing with the 2005-06 school year, boards of education will be required to submit proposed budgets in which the advertised per pupil administrative costs do not exceed the lower of (i) the prior year per pupil administrative costs for the district's region inflated by the greater of 2.5% or the "cost of living" (defined as the average annual increase in the consumer price index for the New York City and Philadelphia areas) and (ii) the district's per pupil administrative costs, increased (by up to the greater of 2.5% or the cost of living) by such additional costs as may be approved by the Commissioner of Education due to increases in enrollment, administrative positions necessary as a result of mandated programs, administrative vacancies, nondiscretionary fixed costs, and such other items as may be permitted by regulation (provided, that for the 2005-06 school year the amount in clause (ii) shall instead be the per pupil administrative cost limits for the district's region as determined by the Commissioner of Education). Various existing limitations on budget increases were amended from the greater of 3% or the consumer price index to the greater of the cost of living or 2.5%. Under this amendment, proposals to exceed these limits cannot (i) include any new programs and services necessary for students to achieve the thoroughness standards established pursuant to CEIFA, (ii) include any programs or services that were included in the prior year's budget unless approved by the Commissioner, and (iii) be submitted to the voters or the board of school estimate if the county superintendent of schools determines that the district has not implemented all potential efficiencies in the administrative operations of the district. This bill also reduces the amount of surplus that may be maintained by a school district from 6% to 2% (2% for the 2005-06 school year) of the general fund balance.

Summary of Federal Aid to School Districts

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended by the Improving America's Act of 1994 is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Title I Aid. Federal aid is generally received in the form of block grants.

Welfare

The State pays the entire nonfederal share of Medicaid. As of July 1, 1991, the State also assumed one hundred percent of the costs of the nonfederal share of federal welfare programs managed by County governments and one hundred percent of the costs of General Assistance, the program of financial aid to needy people who are not otherwise provided for under New Jersey Laws that is managed by municipalities. Thus, New Jersey municipalities have no financial obligation for these programs.

As of January 1, 1999, the City consolidated the General Assistance Program into the County's Welfare Program, as permitted by State Law, and has retained its case records per State mandate.

Transit

The subsidization of public mass transit is the responsibility of the State. Municipalities are not required to make financial contributions.

Higher Education

The State subsidizes the system of State colleges and universities, with no municipal financial obligation. County colleges are supported by county governments with State assistance. Municipalities have no financial responsibility for the county college system.

Medical Care Services

The Jersey City Medical Center, which is an established New Jersey not-for-profit medical and health care corporation, provides certain hospital and medical care services for persons residing in the City and in the adjacent communities. For many years, the City provided direct and indirect financial assistance to the Jersey City Medical Center. The several agreements and programs have generally been consolidated. The City assisted the Jersey City Medical Center in the development and construction of a new hospital and medical care facility located at Grand and Jersey Avenues in the City. The City made a capital contribution of \$12,000,000 for the acquisition of the real property for the new hospital and for certain preliminary development expenses. This contribution was funded through the issuance of serial bonds. The new medical center has an obligation to provide hospital and certain medical care services for all persons residing in the City regardless of their ability to pay. The operating and debt service expenses for the new facility are being met through Federal and State health care payments and third-party reimbursements.

CITY EXPENDITURES

The City has historically spent the largest percentage of its operating budget on public safety and statutory expenditures. For Calendar Year 2013, appropriations for public safety personnel equaled 32% of the budget and statutory expenditures were 10% of the budget as adopted. The remaining 59% of the municipal budget was appropriated for the legal, financial and administrative management of the City, and the provision of public works, human resources, recreation and housing and development services and programs.

CAPITAL IMPROVEMENT PROGRAM

The City maintains and continuously reviews a six-year program for capital improvements. Priority within the program is given to the maintenance of the existing infrastructure, to completion of projects under construction and to projects deemed necessary to the economic strength of the City. For the calendar years 2014 to 2019, inclusive, the City expects to appropriate approximately \$25 to \$35 million annually for capital projects for the City. The City anticipates the funding of these projects to be provided through the future sale of notes or bonds and grant programs.

Major projects of the general capital program of the City for the calendar years 2014 to 2019, inclusive, are: acquisition of new fire apparatus and public works equipment and machinery; continued development of recreation facilities building reconstruction; acquisition and installation of new computer systems; street resurfacing and widening; construction of a new police precinct building; cleaning and re-lining the City's 150-year-old aqueduct system; improvements to public libraries; bridge improvements; and sewer reconstruction. The City estimates that its funding needs to meet general capital improvement program objectives (excluding water utility payments) for the six-year period will be \$150 million. The City is also making major infrastructure improvements, including the construction of new water and sewer lines and roads in connection with major development projects in the City. See "CITY ECONOMIC AND DEMOGRAPHIC INFORMATION" and "ECONOMIC DEVELOPMENT" herein. Many of these projects will be financed primarily through direct developer contributions or local improvement assessments.

THE WATER SYSTEM

Background

Prior to the reorganization of the Municipal Utilities Authority, the City operated the Water System as a self-liquidating utility within the City's budget. The City determined that it was in the best interest of the users of the Water System to reorganize the Jersey City Sewerage Authority as the Jersey City Municipal Utilities Authority to operate both the Sewerage System and the Water System, creating economies for both systems. On January 15, 1998, the Municipal Utilities Authority assumed the operation, maintenance and management of the Water System, subject to the short-term private operating agreement then in existence between the City and United Water. The agreement with the MUA was subsequently amended and extended to run through December 31, 2027 in order to better plan for long term improvements and operations. The City will continue to be responsible for the financing of all extensions and improvements to the Water System, but the Authority has assumed the responsibility for the

payment of debt service on any future bonds issued by the City for such purposes (*i.e.*, the Future City Water Obligations), as well as the responsibility for payment of debt service on the outstanding bonds of the City issued to finance the Water System (*i.e.*, the First Lien City Water Obligations). Debt service on the First Lien City Water Obligations has previously been paid from revenues collected by the City in connection with the use of the Water System.

General Description

The Water System consists of five major components, impoundment, water treatment facilities, water transmission facilities, water distribution facilities and land. Much of the Water System is located outside City limits. All of the water for the City is supplied by the Boonton Reservoir which is located in the Town of Boonton and the Township of Parsippany-Troy Hills, Morris County, New Jersey. The Splitrock Reservoir, located in the Township of Rockaway, Morris County, New Jersey is an emergency source of water. A water treatment plant, located next to the Boonton Reservoir was completed in 1978. The water treatment plant capacity is 80 million gallons per day ("MGD"). Its current peak usage is 60 MGD while its average usage is 45 MGD and its safe yield is 56.8 MGD. Water is conveyed from the Boonton Reservoir by an extensive gravity piping and tunnel system, approximately 23 miles in length, to the City's Reservoir Tank at the end of Troy Street in the City. The distribution system consists basically of the Troy Street Pump Station and adjacent Reservoir Tank and the piping network that supplies water throughout the City. Each residence or apartment unit and business concern in the City must be connected to the Water System. The City owns over 2,500 acres of land related to the Water System.

United Water is responsible for the full operation of the Water System under a contract with the MUA expiring March 31, 2018, and currently bills all of the users of the Water System. The City has estimated that economic benefits will be derived from the privatization of the operation of the Water System over the term of the contract with United Water (which ends in 2018) due to the sale of excess water to United Water, anticipated savings in costs of operations, anticipated increases in revenues from the Water System due to repairs of leaking pipes, and improvements in billing and collection. Upon expiration of the current contract with United Water, it is expected that the Authority will use its resources and personnel to operate the Water System or enter into a similar short-term private operating agreement. The Authority does not expect that, after the expiration of the operating contract with United Water, the cost to the Authority of either operating the Water System or entering into a similar short-term operating agreement will be significantly greater than the annual service fee currently paid by the MUA to United Water.

Water Rate Covenant

Under the terms of the Water System Service Contract, the Authority has covenanted to make, impose, charge and collect Water Service Charges in each fiscal year in accordance with the provisions of the Act so that Water Revenues for each fiscal year will be at least sufficient to pay (a) Water Operating Expenses in such fiscal year, (b) all interest on and principal of all Water Bonds and the City Water Bonds (as defined in the Water System Service Contract) as the same shall become due and payable without recourse to or withdrawal from the Water Bond Reserve Fund, (c) payments to the City required under the Water System Service Contract, and (d) all other amounts that are required to be paid pursuant to the Water System Service Contract. Water Revenues include any excess sewer revenues anticipated to be available for deposit in the Water Revenue Fund established by the Water System Service Contract.

PENSION FINANCING

Substantially all City employees who are eligible for pension coverage are enrolled in either a State or City administered retirement plan.

State Plans

The three State-administered plans are the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund and the Police and Firemen's Retirement System. The Public Employees' Retirement System includes all non-uniformed City employees who are not eligible for enrollment in the City's Municipal Employees' Pension Fund. The Consolidated Police and Firemen's Pension Fund includes uniformed employees

who were employees before 1944, while the Police and Firemen's Retirement System enrolls all uniformed employees who began employment after 1944.

The Division of Pensions in the State Department of Treasury administers the plans and charges municipalities annually for their respective contributions. The charges are based on actuarial valuations. The City pays such charges on a monthly basis.

City Plans

All permanent City employees who are age 39 or younger when commencing employment with the City are required to enroll in the Employees' Retirement System of the City as of date of hire. All temporary employees who are age 39 or younger when commencing employment with the City are required to work one year before they are enrolled in the Employees' Retirement System of the City which is administered by a Pension Commission consisting of the Mayor, Chief Financial Officer, two elected employee representatives, and one appointed citizen member. Buck Consultants an ACS Company, serves as consulting actuary ("Actuary") for the system. In its latest report dated January 1, 2010, the Actuary reported:

GASB Statement No. 27 only requires valuation be performed every two years. The Annual Recommended Contributions payable for calendar years 2012 and 2013 follows:

	December 31, 2012	December 31, 2013
Normal Contribution ⁽¹⁾	\$ 1,566,408	\$ 1,629,065
Accrued Liability contribution	<u>6,523,974</u>	<u>6,784,933</u>
Total contribution	<u>\$ 8,090,382</u>	<u>\$ 8,413,998</u>

⁽¹⁾The Normal Contribution amounts are 5.07% of estimated salaries of \$30,895,626 and \$32,131,451 for the 2012 and 2013 calendar years respectively. The actual normal contribution to the trust should be 5.07% of Actual salaries for each year.

Three other City pension plans are not maintained on an actuarial basis, but the City appropriates funds annually as required to provide benefit payments for the year. The plans are Employees' Non-Contributory Pension, Pensioned Employees and Payments to Widows and Dependents – Members of Police and Fire Departments.

In December 1996, the City received a bill from the Police and Firemen's Retirement System (PFRS) for approximately \$18,500,000 to pay for accrued pension liability due to an early retirement incentive program established in 1994. Legislation (P.L. 2002, c.42) was enacted that permitted the City to sell refunding bonds pursuant to the Local Bond Law to retire the present value of the unfunded accrued liability to PFRS. With an approval from the Local Finance Board, the City financed said liability through the issuance of \$23,595,000 Pension Obligation Refunding Bonds Series 2003A dated January 15, 2003 (Federally Taxable) and \$17,456,000 Pension Obligation Refunding Bonds Series 2003B dated March 15, 2003 (Federally Taxable).

The following table shows the City's contributions to the respective pension systems for the last five years.

City Contributions to Employee Pensions

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>June 30, 2010</u>
State of New Jersey					
Public Employees' Retirement System	\$ 2,483,300	\$ 2,526,878	\$ 2,540,841	\$ -	\$ 1,187,712
Consolidated Police and Firemen's Pension Fund	167,303	167,303	128,541	122,607	122,607
Police and Firemen's Retirement System of New Jersey	34,982,452	33,343,616	39,372,827	-	15,862,058
City of Jersey City					
Municipal Employees' Pension Fund	8,413,998	8,090,382	7,307,923	3,653,962	5,635,937
Employees Non-Contributory Pension (R.S. 43:8 B-1)	225,000	225,000	238,000	125,000	247,812
Pensioned Employees (R.S. 43:4-1)	72,000	72,000	99,972	49,986	99,972
Payments to Widows & Dependents-Members of Police & Fire Depts.	<u>720</u>	<u>720</u>	<u>720</u>	<u>360</u>	<u>720</u>
TOTAL	<u>\$ 46,344,773</u>	<u>\$ 44,425,899</u>	<u>\$ 49,688,824</u>	<u>\$ 3,951,915</u>	<u>\$ 23,176,818</u>

Source: The City of Jersey City, Pension Office.

See Note F to the 2013 Audited Financial Statements set forth in Appendix B hereto for a more detailed discussion of the City's pension plans.

INSURANCE

Insurance Fund Commission

The Jersey City Insurance Fund Commission was established in 1984 pursuant to N.J.S.A. 40A:10-1, *et seq.* The members of the Commission are the City's Business Administrator (who serves as Chairperson) and two members of the Municipal Council. All insurance upon property owned or controlled by the City or any of its departments, boards, agencies or commissions, is required to be placed and effected by the Commission. The powers of the Commission are statutory and include the power to invest the funds and all additions and accretions thereto in such securities as they shall deem best suited for the purposes of the statute; keep on hand at all times sufficient money, or have the same invested in such securities as can be immediately sold for cash, for the payment of losses to any buildings or property of the City, or liability resulting from the operation of publicly owned motor vehicles, equipment or apparatus; and fix reasonable rates of premium for all insurance carried by the insurance fund, and shall effect all insurance in the insurance fund or with any insurance company or companies authorized to do business in this State.

LITIGATION

General

The City, its officers and employees are defendants in a number of lawsuits including, but not limited to, lawsuits arising out of alleged torts, alleged breaches of contract and alleged violations of civil rights. The City is also engaged in activities, such as police protection and public works construction, which could result in future litigation with a possible significant monetary exposure to the City.

Based upon the information available to date, it does not appear that any individual lawsuit or the cumulative effect of these lawsuits will impair the City's ability to pay any judgments or settlements in an orderly manner, since the likelihood is that the amount of any judgments and eventual settlements will be much less than the amount claimed, and payments can be spread over two or more fiscal years. Because many lawsuits are still in the discovery stage, the Corporation Counsel is unable to determine the probability of a successful defense to them at this time.

The City self-insures against tort claims, which include general liability, automobile liability, employment practices, public officials and police professional and workers compensation lawsuits. The self-insured retention depends upon the date of incident and which of two excess policies provides coverage.

Pending Litigation

The following information has been compiled as of October 24, 2014. The cases listed below have a potential monetary exposure in excess of \$500,000.00.

Valerie Montone v. Jersey City Police Department et al. A complaint by a police sergeant alleging that the chief of police did not promote her because of her political affiliation and her gender. Summary Judgment was granted to the defendants on the Federal claims, however the trial court order was reversed by the 3rd Circuit Court of Appeals and the matter remanded for trial. The State law claims are pending in the Superior Court of New Jersey where Summary Judgment on the remaining claims was granted. The plaintiffs took an appeal to the Superior Court, Appellate Division where the order was vacated and the case remanded for trial in State Court. Although the reversal of the orders for summary judgment is a serious setback for the defendants, the City and the individual defendants (former Mayor Healy and former Chief of Police Troy) are prepared to defend this lawsuit on the merits. There is a significant monetary exposure for economic damages and attorney fees. Most recently, at a conference before the Federal trial judge, the plaintiff's attorney made an "informal" demand, \$5,000,000.00 to settle both the State Court and Federal Court claims, inclusive of attorney fees. The case is scheduled for another settlement conference on October 30, 2014.

Astriab et al v. City of Jersey City. Companion case to Montone (above). Eight other sergeants allege that because Montone was wrongfully not promoted to Lieutenant, they could not be promoted since they were behind her on the promotion list. They claim the difference in pay and benefits between what they contend they would have received if they had been promoted and what they actually have received, including pay, benefits and pension contributions/value. These claimed damages continue to accrue as the case proceeds. The plaintiffs took an appeal to the Superior Court, Appellate Division where the order was vacated and the case remanded for trial in State Court. Although the Summary Judgment obtained in this case was reversed, the defendants maintain that the defenses to the plaintiffs' claims are viable and the case will be defended on its merits. Plaintiffs also claim attorney fees and back pay. If they prevail, the combined award could exceed \$800,000.00. The case is also scheduled for a settlement conference along with Montone on October 30, 2014.

New Jersey Department of Environmental Protection v. Occidental Chemical Corporation., et al and City of Jersey City, et al. The Department of Environmental Protection sued several corporate entities claiming the corporations were responsible for polluting the Passaic River. As a result the corporate defendants brought numerous municipalities into the claim as third party defendants, including the City. The corporations claimed that they are either not responsible for the pollution and/or there were other contributing factors such as municipal waste. Plaintiffs allege that the Jersey City Municipal Utilities Authority and the City are responsible for the hazardous substances that were allegedly discharged from the Jersey City System and released into the Newark Bay Area.

Plaintiff's complaint seeks to recover from the Defendants, past and future cleanup and removal costs. This case has been settled. The City share of the settlement proceeds is \$95,000.00. The original defendants settlement amount is \$130,000,000.00 and the total of the 3rd party defendants amount is \$55,000,000.00. This case is resolved, however, there is a potential for a federal (EPA) lawsuit also seeking costs for Passaic River cleanup.

Luther Price./ Estate of Martina Brown v. City of Jersey City. This case alleges that City police used deadly, excessive force on decedent Martina Brown. Police responded to the Brown home after receiving a complaint by decedent's husband. Police personnel gained entry into the apartment wherein they encountered an agitated Martina Brown, who possessed a knife. Brown was unresponsive to the officers' commands to drop the knife and continually lunged towards the officers with the knife. The officers utilized pepper spray, a ballistic shield, and batons in unsuccessful attempt(s) to disarm the decedent. One police officer eventually shot Martina Brown after she slashed him in the forearm and stabbed another policed officer in the forehead above his right eye. The lawsuit, seeking damages for violation of the decedent's Civil Rights resulting in her death, was filed in the United States District Court and has been settled for \$500,000.00, of which \$250,000.00 will be paid by the excess insurance carrier.

Anderson v. Bryant and City of Jersey City. Auto accident case, in which the plaintiff suffered serious personal injuries. A bicycle operator alleges that she was struck by a private vehicle operated by a City police officer who had completed his tour of duty and was going to Municipal Court to testify. The City contends that the officer was not in the course of his employment. His personal auto liability insurance carrier settled the claim against Bryant for his personnel auto liability limit (\$50,000.00). Our subsequent motion for summary judgment on behalf of the City was granted; the plaintiff appealed and the matter is now before the Appellate Decision. Plaintiff claims a permanent inability to work as well as permanent disability. So far her medical expenses have been covered by PLIGA, but she may exceed the limit with future surgeries recommended by her doctors.

Rosario v. City of Jersey City. Plaintiff tripped and fell on City Hall steps as a result of a maintenance defect and sustained injuries to her shoulder, neck and back. She incurred in excess of \$220,000.00 in medical expense subject to an ERISA lien which must be reimbursed. The case settled for \$625,000.00, of which \$375,000.00 will be paid by the excess insurance carrier.

212 Marin Blvd. v. City of Jersey City (Sixth Street Embankment cases). Various lawsuits, brought by several entities owning property known as the Sixth Street Embankment, alleging that the City has interfered with their development rights and violated constitutional rights. These matters have been pending for several years despite numerous attempts to achieve a settlement, the plaintiffs have been uncooperative. The City continues to defend against all of the claims. The property has an appraised value in excess of \$6,000,000.00.

Felton v. City of Jersey City. A City police sergeant, assigned to work with the State Police investigating gang activity in the City, was alone in his vehicle doing surveillance when he heard the sound of a handgun being "racked". In fear for his life, he fired one shot through his car window and struck the plaintiff in the face, rendering him blind. Criminal charges arising out of this incident were brought against Mr. Felton and he was convicted in the criminal trial. Our motion for Summary Judgment, dismissing the complaint was granted and the case dismissed. Plaintiff has appealed the criminal conviction. If successful, he may move to reinstate the civil action. The potential exposure, if the defendants are found liable for wrongfully causing the plaintiff's blindness could easily exceed \$1,000,000.00.

Vincent Pools v. City of Jersey City. This case arises out of a cancellation of a contract by the City due to allegedly defective work performed by a plaster subcontractor at the newly constructed Lafayette Pool complex. The contractor also claimed money due for extras. At trial, the jury returned a verdict of approximately \$700,000.00 against the City. The City is preparing to appeal the verdict.

Realty Appraisal v. City of Jersey City. Plaintiff alleges breach of contract. Discovery is proceeding. Plaintiff claims \$1,000,000.00 in damages for services performed and lost profit.

Bruno v. City of Jersey City. Wrongful death and personal injury case. Third person invaded apartment of plaintiff, killed infant and injured occupant. Plaintiff alleges City Police Department failed to enforce restraining order or act on outstanding warrant. Discovery is proceeding. Although the City expects to prevail on the claims, the exposure is significant. Value could exceed \$500,000.00.

In addition to the cases listed above, the City, its officers and employees are defendants in a number of lawsuits, none of which is unusual for a city of its size. These lawsuits include but are not limited to lawsuits arising out of alleged torts by the City and its employees, alleged breaches of contract and alleged violations of civil rights.

During the fiscal years 2006 through 2010, Transition Year 2010 and calendar years 2011 through 2013, the City paid the following amounts in judgments and settlements:

<u>Year</u>	<u>Amount Paid</u>
CY 2013	\$ 494,286
CY 2012	324,735
CY 2011	1,248,177
TY 2010	417,000
FY 2010	1,846,608
FY 2009	2,705,400
FY 2008	3,859,734
FY 2007	1,533,325
FY 2006	2,307,092

Environmental Issues

There are many privately and governmentally owned parcels of real estate in the City containing various levels of environmental contaminants. With respect to privately owned real estate, the City, State and Federal health and safety officers have undertaken and continue to compel compliance by the owners with the existing regulations. The City aggressively uses its building inspectors and health officers to monitor and compel abatement of harmful environmental hazards. With respect to environmental contamination which does not pose an immediate or substantial public safety or health issue, the City is increasingly using local business incentives to stimulate previously dormant property for conversion to useful economic initiatives including the removal of environmental contaminants. The City itself monitors its own real estate and has undertaken and is currently performing building and facility improvement programs to remove all violations of Federal, State and City environmental regulations.

CITY ECONOMIC AND DEMOGRAPHIC INFORMATION

The City is New Jersey's second largest municipality with a population of 247,597 according to the United States Department of Commerce's 2010 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York – Northern New Jersey metropolitan area.

The City's land area is 15.8 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multi-family development over the past ten years. The City is connected to New York City by the Holland Tunnel and the PATH railroad tubes and is within ten miles of Newark International Airport and the container and cargo facilities of Port Newark-Elizabeth. The City's size and current development activity cause it to dominate the economy of the County (the Jersey City Labor Area). The City also serves as the seat of the County government. Of the approximately 275,000 persons employed in the County, approximately 43% are employed in the City.

Population

The City had experienced a population decline from 1970 through 1980, however due to increased residential housing developments, the population has shown a trend toward increasing.

Population Trend (Calendar Year)

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2012	254,411	652,302	8,864,590
2010	247,597	634,266	8,791,894
2000	240,055	608,975	8,414,350
1990	228,537	553,099	7,730,188
1980	223,532	556,972	7,364,823
1970	260,545	609,065	7,192,805

Source: U.S. Bureau of the Census: Censuses of Population and Housing.

School Enrollment

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2012-2013	28,621	2.65%
2011-2012	27,886	-0.50
2010-2011	28,026	0.41
2009-2010	27,911	-1.09
2008-2009	28,219	8.26
2007-2008	27,986	-2.57
2006-2007	28,725	-1.92
2005-2006	29,288	-7.95
2004-2005	31,817	2.93
2003-2004	30,910	-5.26

Residential Dwelling Units

Most of the housing stock in the City was constructed in the first half of the twentieth century, primarily for renter-occupied use.

Housing Characteristics

Owner Occupied	28,597
Total Units	108,720

Source: Jersey City Economic Div. Corp.

Employment

Labor Force - The City of Jersey City

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Percent (%) Unemployed</u>
2013	118,100	106,700	9.7%
2012	118,892	105,965	10.9
2011	117,883	104,941	10.6
2010	116,602	103,700	11.1
2009	116,755	104,081	10.9
2008	115,361	107,076	7.2
2007	112,174	105,939	5.6
2006	111,754	104,669	6.3
2005	113,192	107,176	5.3

Source: New Jersey Department of Labor, Office of Labor Planning and Analysis: 2005-2011.

Overview of the City

Founded in 1630 and incorporated in 1820, the City once served as a shipping, manufacturing, and rail transportation hub. Home to Ellis Island, the City has served as the gateway to the United States for millions of immigrants.

Today the City is a vibrant and thriving city, where rail yards, factories, and warehouses have been transformed into parks, restaurants, shops, and modern skyscrapers. Seven of the ten tallest buildings in the state are found in the City, with construction recently starting on what will soon be the tallest residential building in the State. City residents and visitors enjoy spectacular views of the New York City skyline with miles of Hudson River waterfront. The City's robust transportation infrastructure allows for easy access to New York City using the PATH train subway system, NY Waterway Ferries, or the Holland Tunnel. An expansive above-ground light rail system that opened in the year 2000 connects the City to neighboring municipalities.

The 2010 Census population of the City is currently 247,597. It has been growing steadily at a rate of 3-6 percent since a low of 223,532 in 1980. According to estimates based on the United States Census Bureau American Community Survey, the City will be the largest city in New Jersey by the end of 2016. At the present time, the City has established itself as a leader in urban development within the State of New Jersey. The City is experiencing its highest level of residential construction in recorded history, with over 5,600 units currently under construction in Downtown and Journal Square alone (including eight new towers over 15 stories), and over 17,000 more units approved to begin construction in the next few years.

Economic Incentives

- New Jersey Transit Hub Tax Incentive Program
- Business Employment Incentive Program (BEIP)
- Economic Redevelopment and Growth Grant (ERG)
- Urban Enterprise Zone Program (UEZ)
- Business Relocation Assistance Grant Program (BRAG)
- Job Training Grant
- No Commercial Rental Tax
- No City Corporate or Personal Income Tax
- Various NJ Tax Abatement programs
- NJ Transit Business Pass

The City's Urban Enterprise Zone (UEZ) is one of the top performing zones in the state. It is comprised of approximately 1/3 of the city's total land acreage. Revenue from the UEZ Program has funded many development initiatives throughout the City, such as national and international marketing campaigns, special events, preservation, city beautification projects, CCTV program, job training, tourism (www.destinationjerseycity.com), and business improvement and relocation grants. In the past, the City received approximately \$16.2 million annually to be used for various programs. Governor Christie's budget eliminated the distribution of the proceeds of the 3.5% sales tax collected at UEZ-certified retail businesses to the municipalities for projects and administration.

The Jersey City Economic Development Corporation manages and maintains business and employment support systems. Some of the benefits available to Jersey City UEZ-certified businesses are listed below:

- Reduced sales tax for certified retail businesses
- Employee tax credits for each UEZ municipality resident hired
- City Employment & Training Program
- City Beautification Program
- Closed Circuit TV Neighborhood Watch Program
- Customer Service Skills Center

Employment

The City currently has the lowest unemployment rate (7.6%) of any large city in New Jersey. From June 2013 through August 2014, the City's unemployment rate dropped from 10.6% to 7.6%. During this same period, the State of New Jersey's unemployment rate dropped only 1.8% while the national unemployment rate dropped 1.4%. The significant unemployment rate decrease is due to several large firms either relocating to the City or expanding current operations within existing City facilities. JPMorgan Chase, RBC, Forbes, Imperial Bag, Nautica, and Ahold are some of the largest companies relocating or expanding City operations. The City has also seen an increase in construction jobs with more than 4,000 jobs recently started or planned as part of approved upcoming projects.

Largest Private Employers in the City*

<u>Employer Name</u>	<u>Total Full Time and Part Time Employees</u>
Goldman Sachs & Co. Inc.	2517
Chase Bank	2273
Pershing LLC	1483
Insurance Services Office Inc.	1294
Citigroup	1254
Broadridge Financial Solutions	876
ICAP Services North America	857
Deutsche Bank Services New Jersey Inc.	789
Barclays Capital Services Inc.	772
Lord, Abbett & Co., LLC	766
Knight Capital Americas LLC.	657
Forest Research Institute, Inc.	593
New York Daily News	571
Sysco Metro New York Inc.	521
Brown Brothers Harriman & Co.	510
Ahold Ecommerce Sales Company LLC	429
Arch Insurance Group Inc.	380
DG3 North America, Inc.	338
Thinktech, Inc.	322
Kuehne and Nagel, Inc.	302

*As reported to the State of New Jersey, October 2014. Does not include public employers, i.e. hospitals, schools, or other government agencies
Source: Jersey City Economic Development Corporation, Jersey City.

Tourism

Tourism is a growing industry for the City with four new hotels (900 new hotel rooms) under construction or planned to begin construction within the next year. While Liberty State Park, Liberty National Golf Course, Ellis Island, and the Statue of Liberty attract millions of visitors each year, this year was especially noteworthy as the City proudly hosted the Seattle Seahawks and Denver Broncos, their families, and many of their fans for the week leading up to the Super Bowl. The City was also home to one of the largest 4th of July fireworks displays in the country.

Higher Education

The City is home to St. Peter's College, with an enrollment of approximately 4,000 students, and New Jersey City University, with an estimated enrollment of 7,700 students, both of which offer full and part-time undergraduate studies in liberal arts, business and the natural and social sciences. In addition, St. Peter's has graduate programs in education, nursing, accounting, and business administration and New Jersey City University offers a wide variety of graduate programs. The City is also the home to Hudson County Community College, which offers entry-level occupational and career certificates and associate degrees to prepare students for employment and to upgrade existing skills. The Community College has an estimated enrollment of over 9,300.

Healthcare

The Jersey City Medical Center, a voluntary not-for-profit hospital, moved to a new hospital facility in 2004 at a site on Grand Street and Jersey Avenue to replace the Medical Center complex built in the 1930s. The facility is currently operated by Liberty Health and is the region's "state designated trauma center" and the only hospital in Hudson County approved for open heart surgery. A new 5-story Medical Office Building was completed in 2010 and is fully leased, including the Cristie Kerr Women's Health Center. See "CITY INDEBTEDNESS AND DEBT LIMITS – Other City-Related Obligations" herein.

The Hudson River Waterfront

The City's historic industrial waterfront has transformed into rail yards and shipping depots into vibrant residential communities and growing office centers. Recently dominated by the financial services industry, as more new skyscrapers with class A office space are constructed a more diverse workforce has developed.

Since the early 1980's, more than 18 million square feet of office space, and over 15,000 new residential units, and five hotels providing nearly 1,500 rooms have been completed. Redevelopment of the waterfront and nearby neighborhoods has been brisk, accelerating with the construction and opening of the Hudson Bergen Light Rail system. Plans for the redevelopment of formerly industrial land along the City's waterfront currently include as much as 30 million square feet of office space and more than 35,000 new residential units.

The number of new residences authorized by building permits city wide, from 1995 through 2007, totals over 17,000 residences while and non-residential office space authorized by building permits exceeded 7 million square feet. Recently approved and pending projects will add an additional 15,000 dwelling units and 6.5 million square feet of office space within the next few years.

The Hackensack River Waterfront

The Hackensack River Waterfront is another powerful City resource whose value has only recently been re-discovered. The improved environmental quality of the Hackensack River and the return of water-related recreation to the river have helped to reinforce its value. The first signs of its rebirth include: completion of the fully sold out Society Hill and Droyer's Point development, a 1,400 Dwelling unit condominium community; the establishment of Meadows Path which is a planned pedestrian walkway along the Hackensack River stretching from Bergen County to Bayonne; commitment by the County of Hudson to establish an extension to the county park system and 9 hole Golf course within the Hackensack River Edge Redevelopment Area nearing completion within the next 18 months; implementation of the City homes at Westside Station loft style residential project within the Water Street

Redevelopment Plan area; transformation of a 32-acre former federal superfund site into the “Marion Greenway” - Phase I involves the remediation and capping of the site for passive recreation and Phase II includes a 2000 foot waterfront walkway, soccer fields, jogging paths and an Environmental Center; implementation of the remediation plan and environmental clean-up of the 100 acre former Honeywell site for the creation of a mixed use new-urbanist neighborhood within the Bayfront I Redevelopment Plan Area. This development will include the creation of over 15 acres of parkland in the form of a bikeway, central greenway, new pedestrian-friendly streets and infrastructure, approximately 4,200 to 8,100 new dwelling units, 700,000 to 1 Million sq. ft. of office floor area, and 200,000 to 600,000 sq. ft. of retail space.

All this development is part of a larger plan for the City’s western waterfront known as the Bayside Study Area. The study establishes the ground work for the creation of new-urbanist neighborhoods and new streets to connect into the existing neighborhoods of Greenville. The Bayside Study Area anticipates the redevelopment of land both east and west of Route 440, the re-design of Route 440 through federal funding appropriated to the City, the expansion of the New Jersey City University Campus as an integral part of this new neighborhood, and ultimately leading to the extension of the Hudson-Bergen Light Rail System roughly ¼ of a mile to the west in order to access the Bayfront I/Honeywell Project and the Hackensack River.

The old Department of Public Works facility along the Hackensack River (Bayfront I/Honeywell Project) will soon begin redevelopment into hundreds of residential units as well as retail shops and entertainment and dining options.

Journal Square

Functioning as a major regional transportation hub, Journal Square encompasses the neighborhood surrounding the Journal Square PATH station and bus terminal, which provides access to New York City, Newark, Hoboken, and Harrison via the PATH subway train system and bus service throughout the region via 7 different bus lines. The Greater Journal Square Study area is roughly 244 acres. The first significant construction in Journal Square in decades recently broke ground with the first of three towers in the “Journal Squared” development project. Upon completion, this development will consist of a 54 story tower, a 60 story tower, and a 70 story tower. 3 more additional towers are planned within the Journal Square area.

The Loew’s Jersey Theatre, a 3,000 seat “movie palace” originally opened in 1929, is a priority restoration project for the City. The facility will soon undergo an extensive multi-million dollar renovation to restore the energy, glory, and full functionality to the theatre and to the neighborhood as a whole. AEG Live, the second largest event promotion company in the world, is planned to manage programming (along with partnerships with NJCU, Mana Contemporary, and a variety of community groups) and ACE Theatrical Group, the premiere theatre restoration company in the country, is planned to manage the construction and renovation of the facility.

On the periphery of the square is the adaptive re-use of the old American Can Factory. The CANCOLoft project entails the creation of over 1,300 new loft style residential units and associated retail services. The new CANCOPark, completed in 2010, features an "orchard" of trees that is lit up at night by ground lighting, park benches, and a terraced layout. The park's perimeter is lined with bamboo shoots in raised planters. Manna Contemporary Fine Arts is truly a diamond in the rough with art exhibits almost every weekend and a new Picasso exhibit to open in March 2014. Several other smaller projects, like 25 Senate Place or the Kennedy Lofts at 100 Newkirk Street, continue to make this the new hip artist community in the New York Metropolitan region.

Transportation Improvements and Funding

The City received federal high priority project funding for transportation access in the amount of approximately \$26 Million and the creation of an urban boulevard along Routes 440/1&9 Truck in the amount of \$1.8 Million.

North Jersey Transportation Planning Authority, (NJTPA) Area metropolitan Planning Organization awarded the City the following grants:

- FY 2008-2009 Subregional Study Program grant for Update to the Circulation Element of the Jersey City Master Plan in the amount of \$250,000;
- FY 2010 – 2011 Subregional Study Program Grant co-sponsored with Hudson County for a Study to improve transportation connections between the Cities of Hoboken and Jersey City in the amount of \$300,000;
- FY 2012-2013 Subregional Study Program grant for the Liberty State Park Circulator Cost-Benefit Analysis in the amount of \$220,000;
- FY 2012-2013 Subregional Study Program grant for the Morris Canal Greenway Plan in the amount of \$220,000; and
- FY 2012-2013 Subregional Study Program grant co-sponsored with Hudson County for The Jersey City/Journal Square/Bayonne Bus Rapid Transit Study in the amount of \$250,000.

Over \$1 million in FY 2012 Local Safety Program grants for pedestrian improvements along Summit Avenue

NJ Transit recently completed the Hudson-Bergen Light Rail 440 Extension Alternatives Analysis, which identified the extension of the HBLR from its current terminus at West Side Avenue station across Route 440 to a new station at the northern boundary of the Bayfront I Redevelopment Plan area as a locally-preferred alternative.

Miscellaneous Infrastructure Improvements and Public Amenities

- The Exchange Place PATH station was renovated in 1990 at a cost of \$65,000,000. The PATH provides a 3-minute ride from Exchange Place to the World Trade Center Station. The Port Authority's \$1.3 billion project to replace PATH's entire 340 car fleet and to overhaul the PATH signal system thereby enabling a significant increase in the number of train movements while improving on-time performance and efficiency is underway, with the entire rolling stock upgraded between 2008 and 2012 and signal system enhancements still underway. .
- The \$1 billion Hudson Bergen Light Rail Transit System (HBLR) launched operation on April 15, 2000. Since then ridership has steadily grown as the system expands further north and south. It now connects with Hoboken's Lackawanna Station, which is adjacent to the City and is a hub for regional commuter train service. It also now connects to a new Park & Ride station on Tonnel Avenue in North Bergen that attracts commuters from Bergen County and other North Jersey locations, and which has been highly successful. Direct service is provided between the Park & Ride and the City waterfront employment center. A new extension to 8th Street in Bayonne opened in January 2011. Hudson County and Bergen County municipalities have urged NJTransit to expand the HBLR into Bergen County, with all municipalities with current or potential HBLR infrastructure passing resolutions in favor of this plan.
- Ferry service connects the Exchange Place/Paulus Hook, Hudson Exchange, Port Liberté and Liberty Harbor North areas to lower Manhattan, and also connects Exchange Place/Paulus Hook to 39th Street in Manhattan.
- The City has completed its renovations of the Owen Grundy Pier Park at the foot of Exchange Place. This is one of several significant public spaces that exist along the Waterfront.
- The Hudson River Waterfront Walkway is advancing toward completion along the waterfront as development of properties adjacent to the waterfront continues. It is now possible to walk from the Goldman-Sachs tower at the south eastern corner of Paulus Hook and Downtown to the Newport area and into Hoboken. The Newport Walkway now connects to Hoboken at the Hoboken Train Station and Newport Associates Development Co. has just completed "Newport Green" a Waterfront park at Fourteenth Street. The development of Veterans Park will include the critical portion of the waterfront walkway at the park's edges along the Hudson River and the Morris Canal.

- New Jersey Department of Transportation is in the process of the reconstruction of the 12th and 14th Street viaducts from Route 139 to Jersey Avenue. The next phase will be the reconstruction of Route 139. NJ DOT is planning to construct a new Wittpenn Bridge over the Hackensack River and a new St. Pauls Avenue Viaduct that will link the bridge to Route 139, Tonnelles Avenue, Route 1&9 Truck, and a proposed new road parallel to Tonnelles Avenue. NJDOT is also planning to build a bridge on Jersey Avenue across the Morris Canal to allow easier travel from downtown Jersey City into Liberty State Park, Bergen Lafayette, and other parts of the City. Currently only a small foot bridge exists.
- Capital Improvement, Federal Grant, and UEZ Funding have been pooled to finance the re-surfacing and beautification of Christopher Columbus Drive. This is the main and most visible travel route from the NJ Turnpike to downtown neighborhoods and the waterfront.

Key districts and development areas within the City

Hackensack River Edge Redevelopment Area. The City Council has adopted a new redevelopment plan that encompasses a number of properties on the City's western waterfront, the redevelopment of which will include the remediation of the PJP landfill. An Urban Transit Hub tax credit package of \$34.6 million over ten years has been approved by the Board of the New Jersey Economic Development Authority which allowed Peapod and Ahold to utilize 344,000 square feet of the Pulaski Distribution Center, an 878,564 square foot warehouse recently completed along Route 1 & 9 by **Prologis**.

Claremont Industrial Center. West of Caven Point, the Claremont Industrial Center was developed on a 30-acre site by the New Jersey Economic Development Authority. Hartz Mountain Industries built and leased a 175,000 square foot warehouse for Walong Marketing, a food distributor and importer in the summer of 2002. Demand for warehouse space here dropped as the recession hit and the City responded by amending the Zoning to allow entertainment venues. In January 2011, "Pole Position Raceway" opened an 80,000 square foot facility featuring two quarter-mile tracks. The high-performing all electric karts can reach speeds of 45 miles per hour. The facility features a Tailgate Café, video and arcade games, meeting and party rooms, and an impressive display of racing memorabilia.

Liberty Industrial Park. In January 1996 construction was completed by the New York Daily News of a new 410,000 square foot printing plant. The Daily News has moved both their Brooklyn and Kearny operations to this new facility. The project represents a \$180 million investment by the Daily News. Sysco Food Services of Metro New York has renovated the former Allied/Sterns building into 345,000 square feet of freezer/warehouse space. This project provides 520 jobs. The total project cost was \$25 million, \$ 8 million of which was provided through the City and HUD by a Section 108 Loan.

Port Jersey/Greenville Yards. On the southernmost portion of the waterfront, the Port Jersey Corporation has developed 3,000,000 square feet for industrial distribution buildings since assuming control of the urban renewal project in 1969. The Corporation has invested \$150 million to date. The Port Authority of New York and New Jersey has constructed an imported automobile facility on its 80-acre portion of Port Jersey and on 65 acres of the Greenville Yards. Iron Mountain Information Management has leased 123,000 square feet at 100 Harbor Drive, providing more than 100 full time jobs. In addition, Summit Import Corp. and Preferred Freezer Services have recently opened warehouse facilities in Greenville Yards. Preferred Freezer is also undertaking building a second new facility freezer. Keystone Properties constructed two warehouse facilities consisting of over 500,000 square feet of available warehouse space.

Jersey Eagle Sales Co. A 100% minority owned business exclusively distributing for Anheuser-Busch in Hudson County has completed construction of a 70,000 square foot, \$4.5 million chilled warehouse and distribution facility, providing nearly 100 full-time jobs.

Montgomery Industrial Center. The 32-acre industrial park adjacent to **The Beacon** was developed by the New Jersey Economic Development Authority, which also makes development bond financing available to potential tenants. The firms in the Montgomery Industrial Center have created more than 300 construction jobs and 600 permanent jobs. Rajbhog Foods, makers of Indian bread, constructed a new plant with assistance from the New

Jersey Business Employment Incentive Program and the New Jersey Local Development Finance Fund, and a \$50,000 relocation grant from the Jersey City Urban Enterprise Zone. Other food related services attracted to this location are Wei Chuan USA and Woolco Foods. DeBragga & Spitler relocated to 55-77 Amity Street from the Meatpacking District in Manhattan. They are leasing an existing warehouse and purchasing the adjacent vacant land for parking and eventual expansion. They certified into the UEZ Program and took advantage of the City's \$50,000 relocation grant.

Newport Redevelopment Area Project The Newport Center project is a 300-acre, master-planned mixed use community consisting of retail, residential, office, leisure, and entertainment facilities. In December 1982, the City received approval of a \$40 million Urban Development Action Grant (UDAG), the largest ever awarded in the history of that Federal program, that effectively jump started the Newport development. The first building constructed was the Newport Centre Mall. It is a premier shopping center with 130 individual stores, anchored by 4 major department stores, a multiplex movie theater, and a food court. Since that time, development has continued in earnest, extending roadways, transportation choices and other community amenities. The Newport Associates Development Co. has just completed "Newport Green", a new 5-acre playground and park connecting Washington Boulevard to the Waterfront Walkway at Fourteenth Street. It includes the first urban beach in New Jersey, a recreational field, an outdoor ping pong table, and several landscaped gardens.

"The Laguna", the most recent tower to complete construction, was fully leased within 6 months of opening in 2013. This 17-story residential tower along the Waterfront Walkway at Fourteenth Street includes 158 rental apartments and 5,500 square feet of ground-floor retail.

Over \$2 billion has been invested and more than 11 million square feet has been constructed at Newport. When completed, the \$10 billion investment into the Newport community will provide housing for approximately 30,000 residents in 9,000 apartments and have a 1.5 mile section of the Hudson River Waterfront Walkway., 7 million sq. ft. of prestigious office space and two million square feet of retail and shopping opportunities. The Newport Redevelopment Area has developed into another new thriving neighborhood of the city. In addition to the mall, area residents and visitors can take advantage of 14 acres of green space, educational facilities, health and wellness facilities, and even a yacht club.

Powerhouse Arts District Redevelopment Area. The Powerhouse Arts District Redevelopment Plan area includes a collection of historic warehouses that have been re-used for residential, art, and entertainment uses. The district is unique and lends itself to conversion to a funky, trendy, retail and entertainment center. This district is 2-4 blocks west of the waterfront and is anchored by the Powerhouse building, an historic structure formerly the power station for the Hudson and Manhattan Railroad. The 100-year-old castle-like building near the waterfront is owned by the City. The Cordish Company in conjunction with the NY/NJ Port Authority and the Jersey City Redevelopment Agency have entered into a memorandum of agreement to stabilize and rehabilitate the former powerhouse into an entertainment destination for the waterfront. The Cordish Company plans to breathe life into the deteriorating power plant just as it has successfully done in the Baltimore Inner Harbor.

Toll Brothers City Living has begun construction of the Provost Square development, a 3 acre site in downtown Jersey City just a block from the Grove Street PATH station. The development will include 3 high-rise towers, 38, 33, and 28 stories, totaling 927 units, 960 parking spaces, 45,000 square feet of retail, and a state of the art 24,000 square foot theater as well as 17,000 square feet of art related space. In between the buildings will be a half acre public plaza.

Liberty Harbor North. This highly successful project does not look like a project at all. It is designed to be an extension of the existing neighborhoods that surround it. This project has two marinas, several miles of waterfront walkway, direct connections to Liberty State Park, ferry service to NYC, two Light Rail Stations and enjoys sweeping views of Liberty State Park, Lower Manhattan and the NY Harbor. It was designed and master planned by the Congress for New Urbanism co-founders Andres Duany and Elizabeth Plater-Zybek. Phase one is complete with 600 residential units. New retail establishments have opened, including the immensely popular Zeppelin Hall Beer Garden, Surf City Beach Bar, Tilted Kilt Pub, and Brew Shot Coffee Shop. Several mixed use projects by a number of different developers have also followed on the coattails of this project, including Gulls Cove, a 320 Condominium building, completed in 2007, "225 Grand", completed in the summer of 2010 with 348 unit rental building by Ironstate Development, Inc. and the KRE Group, and "18Park", completed in the spring of

2014 with over 400 units. the 11 story 18Park facility also includes space for the Boys and Girls Club of Hudson County.

The planning board has also approved a mixed use building that includes a full service flagship Marriott hotel and 475 residences. As many as eleven (11) other buildings are already approved for the area, including a new waterfront park, central park and civic plaza.

Harborside Financial Center. The Harborside Financial Center began with a successful warehouse conversion from a refrigerated rail warehouse to Class A office space, which was followed by the construction of new office towers. It is an office and commercial holding of Mack-Cali Realty located on the Hudson River Waterfront. The complex includes restaurants, a retail promenade, two tiered waterfront walkway with outdoor dining and additional service amenities. The Harborside Financial Center currently consists of six office buildings, an indoor and outdoor garden/plaza, and a HBLRT Station. It is all just minutes away from downtown Manhattan via PATH train or ferry. The complex also contains luxury rental apartments on the North Pier and a full service hotel on the South Pier. The Hyatt Regency Jersey City was the first full-service hotel on the waterfront. It features 350 guest rooms, over 19,000 square feet of meeting and facility space, a 165-seat restaurant, and a 75-seat lounge and incredible views of Manhattan and the New York Harbor. The current Master Plan for Harborside envisions one more office tower for Plaza 4 and six residential towers on Plazas 6, 7, 8 & 9, new roadway extensions and a widening of the pedestrian plaza adjacent to the light rail station.

Existing Commercial/office building of Harborside are as follows:

Harborside Plaza 1	400,000 Sq. ft.	Re-Use
Harborside Plaza 2	761,200 Sq. ft.	Re-Use
Harborside Plaza 3	725,600 Sq. ft.	Re-Use
Harborside Plaza 4a	207,670 Sq. ft.	New Construction
Harborside Plaza 5	977,225 Sq. ft.	New Construction
Harborside Plaza 10	577,575 Sq. ft.	New Construction

There are approximately 13,600 employees in the existing office towers.

Hamilton Square. The Hamilton Square project accomplishes adaptive re-use of the former St. Francis Hospital complex. The old hospital formed an artificial barrier, separating Hamilton Park, a 2 acre Victorian Square, from the east side of the neighborhood. The first phase of this development is complete. The new retail includes a restaurant (GP's), an ice cream parlor that has received significant press and very positive reviews (Milk Sugar Love), wine store, pet store, and vintage department store. It brings the neighborhood together once again by re-establishing the cobblestone street leading to the park, rehabilitating some building, and replacing others. The blocks in the Hamilton Park historic district neighborhood are filled with classic row houses and lush, tree-lined streets.

Colgate. Colgate Redevelopment Area is a 24 acre, 10 block site of waterfront south of Exchange Place. It was formerly the location of the manufacturing facility for the Colgate Palmolive Company. This area has experienced rapid growth over the past five years and is approaching its planned build-out of six million square feet of office space and close to 2,000 residential units. The first major project in the Colgate Redevelopment Area was 101 Hudson Street with 1.2 million square feet of office space in a well designed Art DECO Revival style skyscraper. Next, developed by Hartz Mountain Industries were 70 and 90 Hudson Street, two office towers on the riverfront with 358, 000 and 372,000 square feet. SJP Properties' renovation of 95 Greene Street, 280,000 square feet of office space in the former Colgate Perfume Building, has been completely leased by Merrill-Lynch. Goldman Sachs' now controls three site within the redevelopment plan area and treats this facility and the Sussex Street pier that they renovated as a public campus with ferry and helicopter access to their sister campus on the Manhattan side of the River. Goldman Sachs has completed their first, owner occupied office building, a 42 story, 793 feet tall tower with 1.5 million square feet of space, 1,000 underground car garage, ground floor pedestrian and retail amenities. This tower, the tallest building in the state of New Jersey, provides a unique identity and profile

for the City skyline. Goldman Sachs has received site plan approval for its second office tower of 731,086 square feet at 50 Hudson Street.

Tidewater Basin Redevelopment Area. The Tidewater Basin Redevelopment Area links new waterfront development with the existing Paulus Hook Historic District. The charm of this area is especially enhanced by watching cars share the path of the light rail trolley along the historic cobblestone street. The 324-unit Windsor at Liberty House was completed in September 2000. Other projects include the Pier House (106 condo units) and Hudson Point (181 rental units), two projects at the foot of Warren Street, Liberty Pointe, a 32 unit condo project just up Warren Street from those previously described, Fulton's Landing with 105 condominium units, and K. Hovnanian at Paulus Hook with 71 condominiums units are all occupied and complete. 198 Van Vorst Street, a 131 unit, 7-story residential project with 4,426 square feet of retail, is nearing completion.

Harsimus Cove Station Redevelopment Area. Several residential projects have been completed and leased. Among the completed projects are the following condominium and rental units: Avalon Cove, Mandalay Bay on the Hudson, Portofino, Marbella, and the 'A'. These residential building encompass over 2,000 market rate units. Metro Plaza shopping center contains four retail buildings totaling 255,000 square feet. The Doubletree Hotel contains 200 rooms. The most recent project to be completed in the area is the Monaco, a residential development of 524 rental units in two 39 story towers atop a 10 story 558 space parking garage and 6,100 square feet of ground floor retail on what is was the Doubletree Hotel's parking lot. The Redevelopment Plan calls for a residential-commercial mixed-use district where certain lands are dedicated to the City for streets and parks. Projects currently under construction include 110 First Street (a 345 unit tower expected to open in early 2015) and Maribella phase II (a 311 unit tower expected to open in 2016).

Port Liberté, Liberty National Golf Course and Country Club, and the Residences at Liberty. Redevelopment of this scenic area adjacent to Liberty State Park began in 1985 with the development of docks, jetties, and canals for luxury residential apartments and town homes, some with private boat slips at their front door. Later phases replaced new canal construction with an 18-hole professional Majors golf course and private club. Liberty National Golf Course hosted its first international PGA TOUR event, the Barclays, in August of 2009 and again in August 2013. In 2017 it will host the President's Cup. More than 1600 condominium units are completed with another 1500 planned for the Port Liberté development area.

The Residences at Liberté is the residential development associated with the golf course. Construction has begun on 60 low-rise luxury units along the waterfront walkway and adjacent to the golf club house. When completed, the Residences at Liberté will produce over 1,000 new condominium units located within three towers on the northern slope of the golf course.

Liberty State Park and Ellis Island. Over 2,000,000 persons visit Liberty State Park annually, making it the most popular of all state parks in New Jersey. It is the largest urban park in the state, at approximately 1,200 acres. It currently houses, two Marinas, a boat launch, the Liberty House (a 15,000 square foot restaurant and banquet facility), the recently expanded Liberty Science Center, the restored historic Central Railroad of New Jersey Terminal, and an award-winning Interpretive Center. Maritime Parc Restaurant & Catering opened in October 2010 with a 30,000 square foot event space.

The restoration of Ellis Island is ongoing and the result of a partnership between the National Parks Service and Save Ellis Island, Inc. The South Side of the island contains valuable historic resources such as the hospital facility, laundry and luggage building, open space and recreation area, nursing residence and other various support building, totaling 30 in all, built at the turn of the century to welcome immigrants to our land. It is the intent of the National Park Service to renovate these buildings and keep them in public use. The American Family Immigration History Center was unveiled in 2001. Given its national and international stature, the Ellis Island Institute is proposed to be a unique cultural, educational and conferencing facility that will use the power of place to create a venue for international cultural events and meetings. It will be involve reuse of the 29 existing buildings on the island and new construction of a hotel, museum and educational facilities. At completion, it will employ 275 full-time and 350 part-time workers.

Ferries to the Statue of Liberty and Ellis Island leave from Jersey City, Liberty State Park throughout the day. The park, a state and regional amenity that attracts visitors from a wide area, is frequently the site of State wide events, including concerts, festivals, and tournaments.

The Division of Planning has begun the Liberty State Park Circulator Cost-Benefit Analysis. This study is consistent with one of the five goals of the New Jersey Department of Environmental Protection Division of Parks and Forestry – to provide transportation links to state parks from urban communities.

The Beacon. This central City project is the rehabilitation of a monumental Art Deco New Deal Governmental/Hospital Complex. It consists of the adaptive re-use and renovation of ten (10) high rise structures, interior and exterior historic renovation of significant Art Deco and WP Project artifacts, including two theaters, meeting rooms, and lobby space, and new construction of a multi level garage, health spa, pool, museum, and various types of amenity space. Completion of this project, which is the largest historic restoration project in the nation, is expected to create approximately 1,200 market rate residential units. This project represents a significant private investment that is outside of the City's downtown waterfront financial center. Shuttle and full concierge services are provide to various mass transit choices throughout the city.

Grove Plaza. As recently as 2000, the Grove Plaza area was considered to be too far from the waterfront to be desirable for high end market rate units. Today, Grove Plaza is considered the heart of downtown. The newly renovated and re-designed Grove Street PATH Station Plaza has served as a festival site and farmers market adding to the vitality of the shopping destination. 2 new 60-story residential towers, 70 and 90 Columbus, will rise connected by a hotel in a 150 foot base. New residential construction is moving west along Newark Avenue and 8 new restaurants have recently opened or will be opening in the Grove Plaza area in the end of 2014 and beginning of 2015.

Martin Luther King Drive. The redevelopment of Martin Luther King Drive began as a grassroots community based initiative with far-reaching support. Since the adoption of the MLK Drive Redevelopment Plan by the City Council in December 1993, the development of the MLK HUB Shopping Plaza has been accomplished. A 55,000 square feet supermarket and ancillary stores are in place. The HUB development is now under new ownership. Through a partnership of the Jersey City Redevelopment Agency, Universal Companies of Philadelphia, and Brandywine Corp., MLK Drive will be receiving approximately 205 units of work force housing to be built on City land in and around the HUB. Goldman-Sachs has sponsored a 20 unit housing development just north of the HUB Plaza and light rail station, which has been completed and sold as affordable condominiums.

The Fred W. Martin Apartments offer 39 affordable units in a 4-story building with 12,000 square feet of retail space along the Drive. Many other mixed-use and residential projects are underway along the Drive.

The Jersey City Employment and Training Program (JCETP) recently relocated to the HUB, with Speaker of the House of Representatives Nancy Pelosi, New Jersey Governor Chris Christie, Senator Robert Menendez, NAACP President Cornell Brooks, Congressman Donald Payne Jr., Congressman Albio Sires, and former New Jersey Governors Brendan Byrne and Thomas Keane all attending the ribbon cutting ceremony. JCETP includes the prisoner re-entry program that provides addiction treatment, housing, and employment services as well as standard employment programs for youth, seniors, veterans, and welfare recipients. Former Governor James McGreevey is the director of the JCETP.

Monticello Avenue. The Monticello Redevelopment Plan covers Monticello Avenue between Communipaw Avenue and Montgomery Street. It encompasses 19 blocks geographically located at the center of the City. The goal is to establish a historically preserved and revitalized neighborhood - a shopping district with a mix of retail, restaurant and service businesses, as well as arts-related venues and activities that reflect the diversity and strong sense of community that prevail in the area. The 12 unit "Rock Garden Plaza" and the 6 unit "120-122 Monticello Avenue" with approximately 7,000 square feet of childcare space on the ground floor, have been completed

Canal Crossing. The proposed Canal Crossing Redevelopment Plan Area is approximately 111 acres in area and is located in the southeastern section of the City. It establishes a new-urbanist community with varied

housing type, variable uses, a central boulevard and central park, high density around the Garfield Avenue Light Rail Station and accommodations for various types of open space and educational facilities.

Berry Lane Park. Berry Lane Park is a 17.5 acre park currently under construction on a former brownfield site in the Communipaw-Lafayette Section of the City. Construction of the park began in 2012 and it is scheduled to open to the public in 2015. The park is located between Garfield Avenue and Woodward Street near the Garfield Avenue Hudson Bergen Light Rail station. Directly south of Berry Lane Park is Canal Crossing, an adjacent brownfield site slated for a future residential development.

When completed, Berry Lane Park will be the largest municipal park in the City. Plans include two basketball courts, two tennis courts, a baseball field, a soccer field, a playground, a rain garden, 600 new trees, and a splash pad water park. New park features will coexist with older existing structures that will be preserved or modified: for example, the large concrete silos from a former rail yard will be renovated to contain water features.

Holland Tunnel and Jersey Avenue Redevelopment Area. The expanse of land bounded by the entry/exit of the Holland Tunnel, the base of the Palisade Cliffs and neighboring the City of Hoboken, had remained unnoticed for many years. Its newly discovered attractiveness has accelerated an effort to re-connect existing streets, create more building lots and street frontages. There are current NJ Transit approvals for the creation of a new HBLRT Station at Jersey Avenue and Eighteenth Street. Residential re-development of the 10th Street corridor is almost complete; with the latest addition of the 58 condominium unit Schroeder Loft project adding to the LeFrak-developed apartments that presently line the corridor. In November 2007, The Home Depot opened a 105,121 square feet multi-level store, which employs 177 people and generating \$50 million in annual sales. Other recently completed residential additions include The Cliffs, 700 Grove Street, Cast Iron Lofts, and Zephyr Lofts.

Proposed plans include the Hoboken Redevelopment Plan area and the New York Avenue Redevelopment Plan area. The 7 acre Van Leer Chocolate Factory site is slated to have up to 90-percent energy savings compared to traditional buildings through the use of geothermal and solar energy, as well as other green technologies and has been recognized in the 11th annual Governor's Environmental Excellence Awards in December 2010.

Majestic Theater and the Majestic II Projects. The adaptive re-use of the historic Majestic Theater across from City Hall including the three adjacent historic revival mixed use properties that were vacant and dilapidated, and development of a new adjoining 45 unit residential building. All of the constructed residential units have been sold or rented, and all of the highly desirable commercial spaces have been filled. Majestic II, which is a new mixed use classic mid-rise building with ground floor retail, will complete the third corner of the Montgomery Street & Grove Street intersection, connecting the eclectic buildings of the Van Vorst Historic District to the new City Hall neighborhood redevelopment. Across the street from the Majestic Projects and City Hall is an additional 99 unit 7 story building with ground floor retail space, scheduled to open in mid to late 2015.

New Jersey City Medical Center and Grand Jersey Redevelopment Plan Area. The Jersey City Medical Center opened its 325 bed medical facility at Grand and Jersey Avenues in 2004. This \$180 million facility was financed by the FHA. Liberty Health has just completed a 5-story Medical Arts Building adjacent to the Medical Center. There are also plans to triple the capacity of the Emergency Department. New infrastructure, new streets, public garage, and new residential building are planned for this area to mirror the street grid and density of Liberty Harbor North. NJDEP has awarded the City a special representative to coordinate the clean-up of the area to accelerate its redevelopment. Several projects within the area have already achieved site plan approvals and are ready to move forward. This redevelopment plan will also incorporate the re-location of the Mill Creek Sewage outfall, allow for the creation of new wetlands adjacent to Liberty State Park and replace the pedestrian bridge with a pedestrian and bicycle friendly vehicular connection from downtown to the Park.

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APPENDIX B

**CITY OF JERSEY CITY,
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

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CITY OF JERSEY CITY
NEW JERSEY
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012



DONOHUE, GIRONDA & DORIA
Certified Public Accountants

310 Broadway, Bayonne, New Jersey 07002
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council
City of Jersey City, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the City of Jersey City, New Jersey (the “City”), which comprise the comparative balance sheet – regulatory basis, of each fund and General Fixed Assets as of December 31, 2013 and 2012, and the related comparative statement of operations and changes in fund balance – regulatory basis, statement of revenues – regulatory basis and statement of appropriations – regulatory basis, of the Current Fund, and the related statement of changes in Fund Balance – regulatory basis, of the General Capital Fund, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2013 and 2012, and the changes in its financial position for the years then ended.

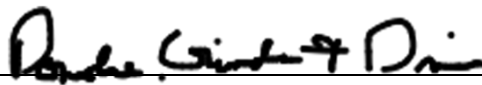
Unmodified Opinion on Regulatory Basis Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the comparative financial position – regulatory basis, of each fund and General Fixed Assets of the City as of December 31, 2013 and 2012, the Current Fund's respective operations and changes in fund balance – regulatory basis, revenues – regulatory basis and appropriations – regulatory basis, the General Capital Fund's changes in fund balance – regulatory basis, for the years then ended, in accordance with the financial reporting provisions of the Division as described in Note A.

Other Matters

Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.



DONOHUE, GIRONDA & DORIA

Certified Public Accountants



FREDERICK J. TOMKINS

Registered Municipal Accountant No. 327

Bayonne, New Jersey

October 1, 2014

**CITY OF JERSEY CITY
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 59,257,737	\$ 38,051,636
Change Fund	1,710	1,710
	<u>59,259,447</u>	<u>38,053,346</u>
Intergovernmental Receivables:		
Due from State of NJ -		
Sr. Citizens' and Veterans' Deductions	8,750	13,000
Prepaid Debt Service - Qualified Bonds	17,619,318	16,685,572
	<u>17,628,068</u>	<u>16,698,572</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	2,768,273	2,649,577
Tax Title Liens Receivable	326,028	114,206
Property Acquired for Taxes at Assessed Valuation	1,591,500	1,652,600
Revenue Accounts Receivable	-	63,229
Due from Jersey City Municipal Utilities Authority -		
Franchise Extension Fees	14,000,000	14,000,000
Lot Cleaning Charges Receivable	2,076	1,523
Sales Contracts Receivable -		
Property Acquired for Taxes	306,550	356,551
Security Board Receivable	-	146
Interfunds Receivable	5,391,564	214,142
	<u>24,385,991</u>	<u>19,051,974</u>
Deferred Charges		
Special Emergency Authorizations	25,617,000	39,319,611
	<u>\$ 126,890,506</u>	<u>\$ 113,123,503</u>
<u>Liabilities and Reserves</u>		
Appropriation Reserves	\$ 12,299,163	\$ 6,513,044
Reserve for Encumbrances	8,135,221	8,311,331
Contracts Payable	931,912	896,290
Prepaid Taxes	4,984,248	3,654,537
Tax Overpayments	3,822,536	3,213,184
Interfunds Payable	112,187	5,645
Prepaid PILOT Revenues	1,380,629	2,022,884
County Taxes Payable	1,507,446	739,097
PILOT Fees Due to County	58,861	73,953
Due to Special Improvement Districts	354,584	212,914

**CITY OF JERSEY CITY
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>2013</u>	<u>2012</u>
<u>Liabilities and Reserves (continued)</u>		
Due to State of New Jersey:		
Marriage Licenses	\$ 9,450	\$ 7,525
Burial Permits	150	160
Reserve for Deposits on Sale of Property		
Acquired for Taxes	22,403	27,403
Reserves - Other	1,648,805	570,949
Reserve for Arbitrage Rebate	937,315	937,315
Emergency Notes Payable	25,582,000	21,665,000
Reserve for Superstorm Sandy Expenditures	1,984,088	11,689,731
	<u>63,770,998</u>	<u>60,540,962</u>
Reserve for Receivables and Other Assets	24,385,991	19,051,974
Fund Balance	<u>38,733,517</u>	<u>33,530,567</u>
	<u>\$ 126,890,506</u>	<u>\$ 113,123,503</u>

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS**

	<u>2013</u>	<u>2012</u>
<u>Revenue and Other Income Realized:</u>		
Fund Balance Utilized	\$ 16,707,232	\$ 16,010,000
Miscellaneous Revenue Anticipated	290,511,689	274,503,414
Receipts from Delinquent Taxes	1,027,576	725,068
Receipts from Current Taxes:		
School and County Taxes	205,244,698	202,831,421
Local Taxes	235,383,845	224,272,798
Non-Budget Revenues	1,698,818	1,369,219
Other Credits to Income:		
Unexpended Appropriation Reserves	4,673,686	11,481,827
Cancelled Reserves of Other Funds	1,476,763	918,622
Cancelled Checks	526,538	6,424
Cancellation of Contracts Payable	505,171	291,407
Debt Reserve - Prior Year Debt Payments	358,328	-
Premium on Special Emergency Notes	268,904	37,699
Prior Year Interfunds Returned	214,142	29,729
Revenue Accounts Receivable	63,229	340,140
Security Board Receivable Realized	146	-
Statutory Excess - Animal Control Fund	-	6,249
Other Credits and Adjustments	-	44,726
	<u>758,660,765</u>	<u>732,868,743</u>
<u>Expenditures</u>		
Budgetary and Emergency Appropriations:		
Appropriations within "CAPS"		
Operations		
Salaries and Wages	198,097,866	190,699,725
Other Expenses	159,531,621	165,759,543
Deferred Charges and Statutory Expenditures	51,183,576	49,373,714
Appropriations Excluded from "CAPS"		
Operations		
Other Expenses	35,781,731	32,039,519
Capital Improvements	600,000	1,340,900
Debt Service	58,704,664	54,978,370
Deferred Charges	14,987,611	5,790,626
Type 1 School District Debt	12,190,025	12,574,607
Reserve for Uncollected Taxes	1,528,223	3,759,566
	<u>532,605,317</u>	<u>516,316,570</u>

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS**

	<u>2013</u>	<u>2012</u>
<u>Expenditures (continued)</u>		
Local District School Tax	\$ 107,391,779	\$ 105,403,114
County Taxes	97,852,919	97,428,307
Interfunds Advanced Originating in Current Year	5,391,564	214,142
Tax Overpayments	2,803,848	2,674,802
Bank Fees and Adjustments	108,784	194,900
Refund of Prior Year Revenues	96,372	213,750
Revenue Accounts Receivable	-	63,229
Prepaid Taxes	-	2,413,357
Other Adjustments	-	325
	<u>746,250,583</u>	<u>724,922,496</u>
Excess in Revenue	12,410,182	7,946,247
Adjustments to Income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year		
Expenditure without an Appropriation	-	7,619,611
Special Emergency Appropriations		
Contractual Severance Liabilities	9,500,000	-
Superstorm Sandy	-	16,000,000
Statutory Excess to Fund Balance	<u>21,910,182</u>	<u>31,565,858</u>
Fund Balance, Beginning of Year	<u>33,530,567</u>	<u>17,974,709</u>
	55,440,749	49,540,567
Decreased by:		
Utilized as Anticipated Revenue	<u>16,707,232</u>	<u>16,010,000</u>
Fund Balance, December 31	<u><u>\$ 38,733,517</u></u>	<u><u>\$ 33,530,567</u></u>

STATEMENT OF REVENUES - REGULATORY BASIS

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**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF REVENUES - REGULATORY BASIS

	Anticipated		Realized	Excess or (Deficit)
	Budget as Adopted	N.J.S.A 40A:4-87		
<u>MISCELLANEOUS REVENUES (continued):</u>				
<u>LOCAL REVENUES (continued)</u>				
Fees and Permits:				
Swimming Pool Fees	\$ 88,946	\$ -	\$ 94,835	\$ 5,889
Skating Rink Fees	61,148	-	81,437	20,289
Laundry Licenses	23,365	-	22,700	(665)
Vending Machine Licenses	21,752	-	19,798	(1,954)
Food Establishment Licenses	267,420	-	354,181	86,761
Hotel/Motel Licenses	78,185	-	68,360	(9,825)
Dine and Dance Permits	29,216	-	23,000	(6,216)
Police Reports ID Bureau Fees	119,746	-	123,354	3,608
Taxicab/Omnibus Licenses	269,955	-	169,657	(100,298)
Elevator Inspection Fees	627,560	-	557,361	(70,199)
Site Plan Review Fees	600,000	-	806,541	206,541
Bingo and Raffle Licenses	17,710	-	19,470	1,760
Mechanical Amusement Devices	15,600	-	16,150	550
Parking Lot Licenses	400,000	-	404,925	4,925
Used Motor Vehicle Dealer Licenses	88,117	-	88,117	-
Parking Lot Tax	7,315,000	-	7,602,268	287,268
Municipal Court Fines and Costs	10,707,267	-	10,978,511	271,244
Interstate Waste	350,000	-	298,351	(51,649)
Secure Buildings	8,859	-	1,794	(7,065)
Dumpster Fee	35,695	-	44,011	8,316
Certified Copies of Marriage Licenses	42,305	-	38,155	(4,150)
Zoning Permits and Ordinance Copies	140,487	-	121,378	(19,109)

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF REVENUES - REGULATORY BASIS

MISCELLANEOUS REVENUES: (continued)

LOCAL REVENUES

Reimbursement for Damaged Property
Death Certificates
Vacant Property Registration
Private Police Duty Administration Fees

	Anticipated		Realized	Excess or (Deficit)
	Budget as Adopted	N.J.S.A 40A:4-87		
\$	50,000	\$ -	\$ -	\$ (50,000)
	85,855	-	85,780	(75)
	214,501	-	200,700	(13,801)
	1,000,000	-	1,000,000	-
	38,785,238	-	40,028,946	1,243,708

STATE AID WITHOUT OFFSETTING APPROPRIATIONS

Consolidated Municipal Property Tax Relief
Energy Receipts Tax
In Lieu of Tax Payment - Garden State Pres. Trust
Building Aid Allowances for School Aid

	12,162,006	-	12,162,006	-
	51,682,679	-	51,682,679	-
	15,837	-	-	(15,837)
	5,475,816	-	5,475,816	-
	69,336,338	-	69,320,501	(15,837)

DEDICATED UNIFORM CONSTRUCTION

CODE FEES OFFSET WITH APPROPRIATIONS

Uniform Construction Code Fees

	4,300,000	-	5,756,541	1,456,541
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PUBLIC AND PRIVATE REVENUES OFFSET

WITH APPROPRIATIONS

ASPCA
Safe Routes to Schools
Second Chance Maintenance Program
Hazard Materials Emergency Planning
TDR Planning Assistance
First Street Park

	10,000	-	10,000	-
	300,000	-	300,000	-
	482,625	-	482,625	-
	42,300	-	42,300	-
	40,000	-	40,000	-
	295,000	-	295,000	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF REVENUES - REGULATORY BASIS

	Anticipated		Realized	Excess or (Deficit)
	Budget as Adopted	N.J.S.A 40A:4-87		
PUBLIC AND PRIVATE REVENUES OFFSET WITH APPROPRIATIONS (continued)				
Reservoir 3 Stabilization	\$ 50,000	\$ -	\$ 50,000	\$ -
Roethlisberger Grant	10,000	-	10,000	-
UEZ - McGinley	350,000	16,775	366,775	-
Stuyvesant Statue Restoration	25,000	-	25,000	-
PANY/NJ - Search and Rescue	612,620	-	612,620	-
PANY/NJ - Port Security	41,250	-	41,250	-
Port Security Grant	234,200	-	234,200	-
Neighborhood Stabilization Program	625,000	-	625,000	-
UASI Goldcoast Waterfront	75,000	-	75,000	-
Bufferzone Protection	259,000	-	259,000	-
JC Signalization Improvement	792,000	-	792,000	-
Banfield Grant	10,000	-	10,000	-
Local Safety Program	615,287	-	615,287	-
Child Health - PORSCHE	195,000	-	195,000	-
Peer Grouping	40,000	-	40,000	-
Municipal Drug Alliance	233,209	-	233,209	-
Metro Medical Response System	281,693	-	281,693	-
Drunk Driving Enforcement Fund	9,715	-	9,715	-
Community Services Block Grant	660,159	209,895	870,054	-
Summer Food Program	607,778	-	607,778	-
Senior Nutrition	1,112,523	65,522	1,178,045	-
FY2013 Municipal Aid Program	1,077,190	-	1,077,190	-
Clean Communities Program	349,581	-	349,581	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF REVENUES - REGULATORY BASIS

	Anticipated		Realized	Excess or (Deficit)
	Budget as Adopted	N.J.S.A 40A:4-87		
PUBLIC AND PRIVATE REVENUES OFFSET WITH APPROPRIATIONS (continued)				
ATP - Two Traffic Signals	\$ 500,000	\$ -	\$ 500,000	\$ -
ATP - Dead End Streets II	220,000	-	220,000	-
ATP - Traffic Striping and Markings	200,000	-	200,000	-
ATP - Destination Jersey City Phase 3	100,000	-	100,000	-
HCOS - Friends of Loews	535,841	-	535,841	-
Senior Info and Assistance	65,000	-	65,000	-
Senior Farmer's Market	1,750	-	1,750	-
JTPA	7,351,489	-	7,351,489	-
Edward Byrne Grant (JAG)	203,864	-	203,864	-
Body Armor Replacement Fund	-	89,206	89,206	-
Urban Area Security Initiative	-	1,661,092	1,661,092	-
Women, Infants and Children (WIC)	-	1,632,000	1,632,000	-
Sexually Transmitted Disease Control	-	72,183	72,183	-
Subregional Transportation Grant	-	57,581	57,581	-
Recycling Tonnage	-	278,748	278,748	-
Port Security Grant - FEMA	-	466,667	466,667	-
Assistance to Firefighters	-	800,000	800,000	-
PSE&G Tree Canopy Study	-	45,000	45,000	-
UEZ-JCETP / Prisoner Re-Entry Program	-	501,725	501,725	-
Comprehensive Traffic Safety	-	27,900	27,900	-
COPS In Shops	-	3,248	3,248	-
Cops Hiring Grant	-	1,875,000	1,875,000	-
	<u>18,614,074</u>	<u>7,802,542</u>	<u>26,416,616</u>	<u>-</u>

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF REVENUES - REGULATORY BASIS

	Anticipated		Realized	Excess or (Deficit)
	Budget as Adopted	N.J.S.A 40A:4-87		
OTHER SPECIAL ITEMS				
Payments in Lieu of Taxes	\$ 109,683,784	\$ -	\$ 122,615,865	\$ 12,932,081
Sale of Municipal Property - Land Sales	5,200,000	-	-	(5,200,000)
United Water Reimbursement - Water Operations	825,000	-	779,632	(45,368)
MUA Franchise Concession Payment	13,000,000	-	13,000,000	-
MUA Water Debt Service Payment	5,303,291	-	5,254,995	(48,296)
Uniform Fire Safety Act	250,000	-	250,000	-
Settlements and Judgments	1,000,000	-	1,000,000	-
Taxicab Medallion Auction	1,000,000	-	4,859,500	3,859,500
Due from FEMA (Hurricane Sandy)	1,193,000	-	1,193,000	-
Trust Assessment Surplus	36,093	-	36,093	-
	137,491,168	-	148,989,085	11,497,917
Total Miscellaneous Revenues	268,526,818	7,802,542	290,511,689	14,182,329
RECEIPTS FROM DELINQUENT TAXES:				
	342,386	-	1,027,576	685,190
Subtotal - General Revenues	285,576,436	7,802,542	308,246,497	14,867,519

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF REVENUES - REGULATORY BASIS

AMOUNT TO BE RAISED BY TAXES FOR

SUPPORT OF MUNICIPAL BUDGET:

Local Tax Including Reserve for Uncollected Taxes
Addition to Local District School Tax
Minimum Library Tax
Total Amount to be Raised by Taxes

Total Budget Revenues
Non-Budget Revenues

Total General Revenues

	Anticipated		Realized	Excess or (Deficit)
	Budget as Adopted	N.J.S.A 40A:4-87		
\$ 217,730,857	\$ -		\$ 222,767,687	\$ 5,036,830
6,714,209	-		6,714,209	-
5,901,949	-		5,901,949	-
<u>230,347,015</u>	<u>-</u>		<u>235,383,845</u>	<u>5,036,830</u>
515,923,451	7,802,542		543,630,342	19,904,349
-	-		1,698,818	1,698,818
<u>\$ 515,923,451</u>	<u>\$ 7,802,542</u>		<u>\$ 545,329,160</u>	<u>\$ 21,603,167</u>
Budgeted			\$ 543,630,342	
Non-budgeted			1,698,818	
			<u>\$ 545,329,160</u>	

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

**STATEMENT OF REVENUES - REGULATORY BASIS
ANALYSIS OF BUDGET REVENUES**

Allocation of Current Tax Collections:

Current Year Taxes Collected in Prior Year	\$ 3,654,537	
Current Year Taxes Collected in Current Year	434,796,489	
State Share of Sr. Citizens' & Veterans' Deductions	649,294	
	<hr/>	
Current Taxes Realized in Cash		\$ 439,100,320
Add: Appropriation for "Reserve for Uncollected Taxes"		1,528,223
		<hr/>
		440,628,543

Allocated to:

School Taxes	107,391,779	
County Taxes	97,852,919	
	<hr/>	
Total Allocated to School and County Taxes		205,244,698
		<hr/>
Amount for Support of Municipal Budget Appropriations		\$ 235,383,845
		<hr/>

Receipts from Delinquent Taxes:

Delinquent Taxes Collected	\$ 910,198
Tax Title Liens Collected	117,378
	<hr/>
Total Receipts from Delinquent Taxes	\$ 1,027,576
	<hr/>

Miscellaneous Revenues Anticipated:

Accrual per Revenue Accounts Receivable	\$ 194,774,572
State Aid Received in Cash	22,148,932
Qualified Bonds Payments	47,171,569
State and Federal Grants	26,416,616
	<hr/>
Total Miscellaneous Revenues Anticipated	\$ 290,511,689
	<hr/>

Fund Balance	\$ 16,707,232
	<hr/>

Total Realized Budget Revenues	\$ 543,630,342
	<hr/>

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

**STATEMENT OF REVENUES - REGULATORY BASIS
ANALYSIS OF NON-BUDGET REVENUES**

Increased by Cash Received from:

Parking Authority Debt Payments	\$ 360,228
Zoning and Tentant/Landlord	192,309
Passaic Valley Sewage Rebate Program	90,980
Various Blocks and Lots	79,900
PSEG License Agreement	75,180
Auto Auction	67,775
Miscellaneous Police Department Fees	46,934
United Water Reimbursement	41,910
Auto Repair Licenses	35,600
Other Recreation Fees	34,763
City Clerk - Other	31,001
Wholesale Price Litigation	22,046
Special Priveleges	20,237
HEDC - Sidewalk Café Licenses	15,625
Rental of City Owned Property	15,623
Sr. Citizen and Veteran Deduction Administration Fee	13,071
Burglar Alarm System	11,660
Initial License Inspection	10,940
Shade Tree	10,600
Junk Shop Licenses	10,000
Miscellaneous Health Inspection Fees	8,355
Bid Package Fees	8,165
Discovery Fees	7,405
Filming Permits	7,025
Carnival Fee	6,875
Childcare Certification License	5,400
Claims, Reimbursements and Other	5,321
Rental of Polling Places	5,300
Special Beverage Permit	5,050
Retail Florist License	4,440
Police Training Fees	3,907
Exhibition Licenses	2,800
Trade Licenses	2,612
Tire Permits	2,150
Miscellaneous Permits	1,559
Returned Check Fees	1,225
Loading Zones	900
Driveway Permits	580
Pay Telephone Licenses	400

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

**STATEMENT OF REVENUES - REGULATORY BASIS
ANALYSIS OF NON-BUDGET REVENUES**

Increased by Cash Received from:

JCIA Loan	\$ 400
Spray Paint Markers	350
ROID	290
Petshop Licenses	270
Pigeon Keeping	225
Zoning Permits and Orinance Copies	62
Business Liquidation	50
Non-Budgeted PILOTs	
Lafayette Phase 4	125,392
JH and RC Senior Homes	76,618
The Mercury Urban Renewal Co, LLC	76,486
AH Moore Phase 3	49,221
St. Pauls, LLC	20,910
Chosen Estates, LLC	11,478
Lafayette Senior Living Center	<u>11,217</u>

\$ 1,638,820

Demolition Charges

59,998

Total Miscellaneous Revenues not Anticipated

\$ 1,698,818

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
(A) Operations - Within "CAPS"					
<u>OFFICE OF THE MAYOR</u>					
Mayor's Office					
Salaries and Wages	\$ 1,010,000	\$ 1,080,500	\$ 1,060,106	\$ -	\$ -
Other Expenses	19,650	23,750	20,812	1,469	1,469
Resident Response Center					
Salaries and Wages	-	325,481	322,018	-	3,463
Other Expenses	-	131,370	35,106	48,651	47,613
<u>CITY CLERK AND MUNICIPAL COUNCIL</u>					
Office of the City Clerk					
Salaries and Wages	822,392	849,392	841,261	-	8,131
Other Expenses	96,600	96,852	57,416	36,672	2,764
General and Primary Election	100,000	100,000	98,969	-	1,031
Municipal Election	750,000	635,000	630,196	2,915	1,889
Municipal Council					
Salaries and Wages	584,200	584,200	573,715	-	10,485
Other Expenses	89,000	89,000	83,184	3,947	1,869
Annual Audit - Other Expenses	350,000	350,000	350,000	-	-
<u>DEPARTMENT OF ADMINISTRATION</u>					
Administrator's Office					
Salaries and Wages	1,558,105	1,588,105	1,578,651	-	9,454
Other Expenses	87,000	86,648	48,845	10,255	27,548
Management and Budget					
Salaries and Wages	508,619	508,619	404,870	-	103,749
Other Expenses	315,700	315,700	213,096	3,340	99,264

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
DEPARTMENT OF ADMINISTRATION (continued)					
Purchasing and Central Services					
Salaries and Wages	\$ 656,000	\$ 668,000	\$ 655,955	\$ 12,045	\$ -
Other Expenses	46,750	47,970	38,876	9,071	23
Real Estate					
Salaries and Wages	167,011	172,011	171,779	-	232
Other Expenses	10,600	10,600	6,772	2,638	1,190
Mayor's Action Bureau					
Salaries and Wages	547,000	355,200	355,200	-	-
Other Expenses	2,000	530	456	70	4
Communications					
Salaries and Wages	415,672	468,672	428,785	-	39,887
Other Expenses	2,800	2,800	1,419	-	1,381
Utility Management					
Salaries and Wages	495,000	495,500	464,868	-	30,632
Personnel					
Salaries and Wages	422,376	349,360	348,248	-	1,112
Other Expenses	168,800	92,155	92,078	72	5
Risk Management					
Salaries and Wages	241,270	241,270	238,781	-	2,489
Other Expenses	4,525	4,525	1,913	744	1,868
Information Technology					
Salaries and Wages	950,600	950,600	893,068	-	57,532
Other Expenses	1,080,000	980,000	858,956	79,216	41,828

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
DEPARTMENT OF ADMINISTRATION (continued)					
Municipal Court					
Salaries and Wages	\$ 3,586,202	\$ 3,436,202	\$ 3,393,019	\$ -	\$ -
Other Expenses	204,850	204,850	100,255	55,635	-
Public Defender					
Salaries and Wages	86,000	86,000	52,199	-	-
Other Expenses	257,400	257,400	141,117	84,883	-
Collections					
Salaries and Wages	847,000	911,000	889,134	-	-
Other Expenses	211,850	211,850	59,049	40,692	-
Accounts and Control					
Salaries and Wages	486,212	486,212	472,096	-	-
Other Expenses	5,100	5,100	4,320	660	-
Treasury and Debt Management					
Salaries and Wages	285,417	285,917	284,323	-	-
Other Expenses	5,650	5,650	2,254	1,683	-
Payroll					
Salaries and Wages	411,432	331,545	330,456	-	-
Other Expenses	9,400	2,870	2,866	-	-
Pension					
Salaries and Wages	176,540	137,955	137,953	-	-
Other Expenses	9,750	2,650	2,646	-	-
Human Resources					
Salaries and Wages	-	241,988	241,881	-	-
Other Expenses	-	90,275	12,766	16,715	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<u>OFFICE OF THE TAX ASSESSOR</u>						
Tax Assessor						
Salaries and Wages	\$ 887,881	\$ 906,381	\$ 905,053	\$ -	\$ 1,328	\$ -
Other Expenses	247,000	147,000	64,950	47,575	34,475	-
<u>DEPARTMENT OF LAW</u>						
Law Department						
Salaries and Wages	2,809,921	2,709,921	2,698,563	-	11,358	-
Other Expenses	363,300	363,300	135,100	214,954	13,246	-
<u>DEPARTMENT OF PUBLIC WORKS</u>						
Director's Office						
Salaries and Wages	570,000	576,100	561,825	-	14,275	-
Other Expenses	65,600	65,600	37,581	13,905	14,114	-
Architecture						
Salaries and Wages	399,711	325,530	325,529	-	1	-
Other Expenses	27,200	10,700	10,692	-	8	-
Parks Maintenance						
Salaries and Wages	2,050,203	2,110,203	2,106,526	-	3,677	-
Other Expenses	849,400	699,400	377,650	217,821	103,929	-
Engineering						
Salaries and Wages	1,695,790	1,265,000	1,259,371	-	5,629	-
Other Expenses	1,664,700	1,015,000	687,548	160,121	167,331	-
Building and Street Maintenance						
Salaries and Wages	2,075,332	2,235,332	2,176,575	-	58,757	-
Other Expenses	1,504,600	1,604,600	1,420,740	142,143	41,717	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<u>DEPARTMENT OF PUBLIC WORKS (continued)</u>						
Automotive Services						
Salaries and Wages	\$ 834,457	\$ 934,457	\$ 885,866	-	\$ 48,591	\$ -
Other Expenses	2,966,120	2,766,120	2,393,017	326,640	46,463	-
Engineering, Architecture, Traffic and Transportation						
Salaries and Wages	-	504,971	464,358	-	40,613	-
Other Expenses	-	466,200	117,606	134,602	213,992	-
<u>DEPARTMENT OF RECREATION</u>						
Director's Office						
Salaries and Wages	2,590,000	2,683,000	2,637,567	-	45,433	-
Other Expenses	445,800	465,800	416,381	19,690	29,729	-
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Director's Office						
Salaries and Wages	653,068	776,068	734,831	-	41,237	-
Other Expenses	4,450	4,450	3,073	860	517	-
Health						
Salaries and Wages	1,938,372	2,108,372	2,099,428	-	8,944	-
Other Expenses	621,600	621,600	499,970	112,813	8,817	-
Cultural Affairs						
Salaries and Wages	519,952	406,550	403,109	-	3,441	-
Other Expenses	171,500	112,500	109,038	1,492	1,970	-
Clinical Services						
Salaries and Wages	290,540	290,540	286,126	-	4,414	-
Other Expenses	62,770	62,770	36,712	16,254	9,804	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)</u>					
AIDS Education Program					
Other Expenses	\$ 20,000	\$ 20,000	\$ 11,945	\$ 7,125	\$ 930
Senior Citizen Affairs					
Salaries and Wages	388,039	267,760	267,359	-	401
Other Expenses	113,900	43,000	32,610	10,260	130
<u>DEPARTMENT OF FIRE AND EMERGENCY SERVICES</u>					
O.S.H.A.					
Fire - Other Expenses	350,000	350,000	204,994	145,006	-
Uniform Fire Safety Act					
Salaries and Wages	250,000	250,000	250,000	-	-
Fire					
Salaries and Wages	63,119,902	61,791,682	60,776,935	-	1,014,747
Other Expenses	1,505,300	1,405,300	839,396	403,826	162,078
<u>DEPARTMENT OF POLICE</u>					
Police					
Salaries and Wages	97,900,000	98,100,000	97,052,249	-	1,047,751
Other Expenses	2,788,737	2,788,737	2,240,990	402,300	145,447
<u>HOUSING, ECONOMIC DEVELOPMENT AND COMMERCE</u>					
Director's Office					
Salaries and Wages	523,593	523,593	485,184	-	38,409
Other Expenses	31,800	31,800	10,608	1,310	19,882
Construction Code Official					
Salaries and Wages	1,915,860	1,974,860	1,843,634	-	131,226
Other Expenses	117,500	117,500	67,547	3,160	46,793

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
<u>HOUSING, ECONOMIC DEVELOPMENT AND COMMERCE (continued)</u>					
Tenant/Landlord Relations					
Salaries and Wages	\$ 234,000	\$ 240,200	\$ 240,058	-	\$ 142
Other Expenses	20,200	20,200	9,714	806	9,680
Community Development					
Other Expenses	4,250	4,250	2,117	-	2,133
Commerce					
Salaries and Wages	616,244	616,244	571,446	-	44,798
Other Expenses	25,800	25,800	14,320	1,073	10,407
Economic Development					
Salaries and Wages	206,628	206,628	194,902	-	11,726
Other Expenses	6,500	6,500	4,639	1,409	452
City Planning					
Salaries and Wages	855,733	775,733	772,667	-	3,066
Other Expenses	9,000	9,000	8,093	707	200
Housing Code Enforcement					
Salaries and Wages	631,218	724,018	690,834	-	33,184
Other Expenses	43,000	43,200	41,410	1,588	202
Planning Board					
Other Expenses	82,800	82,800	60,677	15,208	6,915
Board of Adjustment					
Other Expenses	68,500	68,500	54,203	7,915	6,382
Historic District Commission					
Other Expenses	100	100	-	-	100

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
<u>HOUSING, ECONOMIC DEVELOPMENT AND COMMERCE (continued)</u>					
Zoning Officer					
Salaries and Wages	\$ 236,794	\$ 240,994	\$ 240,919	\$ -	\$ 75
Other Expenses	12,400	12,400	7,056	457	4,887
<u>INSURANCE</u>					
Insurance - All Departments	6,200,000	6,200,000	6,194,000	-	6,000
Employee Group Health Insurance	70,943,758	73,743,758	66,795,563	1,314,074	5,634,121
Health Benefit Waiver	1,200,000	1,270,060	1,268,936	-	1,124
<u>UNCLASSIFIED</u>					
Jersey City Incinerator Authority	33,993,916	33,993,916	33,993,916	-	-
Municipal Publicity	20,000	20,000	18,180	-	1,820
Other Municipal Advertising	20,000	20,000	8,424	5,737	5,839
Professional Affiliations	20,000	20,000	10,115	-	9,885
Ambulance Service	3,925,775	3,925,775	3,925,775	-	-
Ethical Standards Board	20,000	20,000	-	3,500	16,500
Electricity	3,400,000	3,400,000	1,835,757	1,272,237	292,006
Street Lighting	3,400,000	3,144,440	2,492,837	207,163	444,440
Municipal Rent	2,520,000	2,520,000	1,898,740	121,931	499,329
Gasoline	1,600,000	1,600,000	1,254,970	281,003	64,027
Communications	1,545,000	1,545,000	1,229,869	100,723	214,408
Office Services	1,377,000	1,377,000	818,806	336,704	221,490
Salary Adjustment	1,750,000	-	-	-	-
Contractual Severance Liabilities	-	9,500,000	9,500,000	-	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
(B) Contingent	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Total Operations Including Contingent within "CAPS"	348,456,987	357,629,487	339,098,912	6,453,420	12,077,155	-
Detail:						
Salaries and Wages	200,200,286	198,097,866	195,069,280	-	3,028,586	-
Other Expenses	148,256,701	159,531,621	144,029,632	6,453,420	9,048,569	-
(E) Deferred Charges and Statutory Expenditures within "CAPS"						
(1) DEFERRED CHARGES						
2012 Expenditure without Appropriation	7,619,611	7,619,611	7,619,611	-	-	-
Prior Years' Bills	1,303	1,303	1,302	-	1	-
(2) STATUTORY EXPENDITURES						
Contribution to:						
Social Security System (O.A.S.I.)	3,850,000	4,175,000	4,140,845	-	34,155	-
Consolidated Police and Fire Retirement Fund	167,303	167,303	107,170	-	60,133	-
Police and Fire Retirement System (PFRS)	34,982,452	34,982,452	34,982,452	-	-	-
Municipal Employees Pension Fund	8,413,998	8,413,998	8,413,998	-	-	-
Employees Non-Contributory Pension	225,000	225,000	223,244	-	1,756	-
Pensioned Employees	72,000	72,000	69,394	-	2,606	-
Payments to Widows and Dependents of Deceased Public Safety Members	720	720	719	-	1	-
Unemployment Compensation Insurance	650,000	650,000	650,000	-	-	-
Public Employees Retirement System (PERS)	2,483,300	2,483,300	2,473,583	-	9,717	-
Defined Benefit Contribution Plan (DCRP)	10,000	12,500	9,351	-	3,149	-
	50,856,076	51,183,576	51,072,058	-	111,518	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
(H-1)TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 399,313,063	\$ 408,813,063	\$ 390,170,970	\$ 6,453,420	\$ -
(A) Operations - Excluded From "CAPS"					
<u>GENERAL GOVERNMENT:</u>					
Jersey City Parking Authority	1,078,683	1,078,683	1,078,683	-	-
Maintenance of Free Public Library	7,900,000	7,900,000	7,852,637	-	-
	8,978,683	8,978,683	8,931,320	-	-
PUBLIC AND PRIVATE APPROPRIATIONS					
<u>OFFSET BY REVENUES</u>					
Summer Food Service	607,778	607,778	607,778	-	-
Women, Infants and Children	-	1,632,000	1,632,000	-	-
Child Health - PORCHE	195,000	195,000	195,000	-	-
Ben Roethlisberger	10,000	10,000	10,000	-	-
Sexually Transmitted Disease Control	-	72,183	72,183	-	-
Municipal Alliance on Alcohol and Drug Abuse	291,511	291,511	291,511	-	-
HCOS - Peter Stuyvesant	25,000	25,000	25,000	-	-
UEZ - Second Chance Maintenance Program	482,625	482,625	482,625	-	-
Neighborhood Stabilization	625,000	625,000	625,000	-	-
Safe Routes to School No. 4	300,000	300,000	300,000	-	-
Recycling Tonnage	-	278,748	278,748	-	-
Community Services Block Grant	660,159	870,054	870,054	-	-
Local Safety Program	615,287	615,287	615,287	-	-
Senior Nutrition	1,390,654	1,456,176	1,456,176	-	-
Drunk Driving Enforcement Fund	9,715	9,715	9,715	-	-
Metro Medical Response System	281,693	281,693	281,693	-	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
<u>PUBLIC AND PRIVATE APPROPRIATIONS</u>					
<u>OFFSET BY REVENUES (continued)</u>					
JTPA	\$ 7,351,489	\$ 7,351,489	\$ 7,351,489	- \$	-
Hazardous Materials Emergency Plan	42,300	42,300	42,300	-	-
NJ TDR Planning Assistance Grant	40,000	40,000	40,000	-	-
First Street Park	295,000	295,000	295,000	-	-
Comprehensive Traffic Safety	-	27,900	27,900	-	-
Reservoir 3 Stabilization	50,000	50,000	50,000	-	-
Local Safety / McGinley	350,000	366,775	366,775	-	-
Urban Area Security Initiative - JC Gold Coast	75,000	75,000	75,000	-	-
Buffer Zone Protection	259,000	259,000	259,000	-	-
JC Signalization Improvements	792,000	792,000	792,000	-	-
Edward Byrne Grant (JAG)	203,864	203,864	203,864	-	-
ASPCA	10,000	10,000	10,000	-	-
FEMA/Port Security	-	466,667	466,667	-	-
Senior Info and Assistance	65,000	65,000	65,000	-	-
Municipal Aid Program (DOT)	1,077,190	1,077,190	1,077,190	-	-
Banfield Grant	10,000	10,000	10,000	-	-
Urban Area Security Initiative - OEM	-	1,661,092	1,661,092	-	-
Stripings and Markings	200,000	200,000	200,000	-	-
Destination Jersey City	100,000	100,000	100,000	-	-
HCOS - Friends of Loews	535,841	535,841	535,841	-	-
Clean Communities	349,580	349,580	349,580	-	-
Assistance to Firefighters Grant	-	800,000	800,000	-	-
Subregional Transportation Planning	-	71,976	71,976	-	-
Peer Grouping Grant	40,000	40,000	40,000	-	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
PUBLIC AND PRIVATE APPROPRIATIONS					
OFFSET BY REVENUES (continued)					
NJ DOT - 3 Traffic Signals	\$ 500,000	\$ 500,000	\$ 500,000	-	\$ -
NJ DOT - Dead End Street Safety Impr.	220,000	220,000	220,000	-	-
PSE&G Tree Canopy Study	-	45,000	45,000	-	-
UEZ JCETP / Re-Entry Program	-	501,725	501,725	-	-
COPS in Shops	-	3,248	3,248	-	-
Senior Farmers' Market	1,750	1,750	1,750	-	-
PANY/NJ - Homeland Security	612,620	612,620	612,620	-	-
PANY/NJ - Port Security	41,250	41,250	41,250	-	-
Port Security Grant	234,200	234,200	234,200	-	-
COPS Hiring Grant	-	1,875,000	1,875,000	-	-
Body Armor Replacement Fund	-	89,206	89,206	-	-
Matching Funds for Grants	50,000	35,605	-	-	35,605
	19,000,506	26,803,048	26,767,443	-	35,605
Total Operations - Excluded from "CAPS"	27,979,189	35,781,731	35,698,763	-	82,968
Detail:					
Other Expenses	27,979,189	35,781,731	35,698,763	-	82,968
(C) Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	400,000	400,000	400,000	-	-
Acquisition, Remediation of Public Property	200,000	200,000	200,000	-	-
	600,000	600,000	600,000	-	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
(D) Municipal Debt Service						
General Debt Service:						
Maturing Serial Bonds - General Qualified	\$ 6,191,000	\$ 6,191,000	\$ 6,191,000	\$ -	\$ -	\$ -
Maturing Serial Bonds - General Refunding	17,645,000	17,645,000	17,645,000	-	-	-
Fire Pension Refunding Bonds - Interest	947,013	947,013	947,012	-	-	1
Police Pension Refunding Bonds - Interest	1,369,515	1,369,515	1,369,515	-	-	-
Interest on Bonds - General Qualified	4,983,592	4,983,592	4,983,592	-	-	-
Interest on Bonds - General Refunding	11,210,957	11,210,957	11,210,957	-	-	-
Interest on Notes - General and Refunding	884,515	884,515	884,514	-	-	1
Bond Anticipation Notes - Principal	4,659,195	4,659,195	4,516,195	-	-	143,000
Loan Repayments for Principal and Interest						
Green Trust - Wayne Street Park	9,021	9,021	9,020	-	-	1
Green Trust - Apple Tree House	14,669	14,669	14,669	-	-	-
Green Trust - Roberto Clemente Park	17,661	17,661	17,660	-	-	1
Green Trust - Sgt. Anthony Park	9,017	9,017	9,017	-	-	-
Green Trust - Marion Pavonia Pool	26,428	26,428	26,428	-	-	-
Green Trust - Multi Parks	38,243	38,243	38,243	-	-	-
Green Trust - Montgomery Gateway	3,110	3,110	3,109	-	-	1
Green Trust - Berry Lane	8,084	8,084	8,084	-	-	-
HCIA Pooled Loan	401,600	401,600	370,320	-	-	31,280
Build America Bonds - Principal	480,000	480,000	480,000	-	-	-
Build America Bonds - Interest	4,391,723	4,391,723	3,945,332	-	-	446,391
Police / Fire Pension Refunding Bonds	780,000	780,000	780,000	-	-	-

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
(D) Municipal Debt Service (continued)					
Water Debt Service:					
Maturing Serial Bonds - General Qualified	\$ 315,000	\$ 315,000	\$ 315,000	\$ -	\$ -
Maturing Serial Bonds - Refunding	3,555,000	3,555,000	3,555,000	-	-
Interest on Bonds - Refunding	1,243,227	1,243,227	1,243,227	-	-
Interest on Bonds - Qualified	141,770	141,770	141,770	-	-
	<u>59,325,340</u>	<u>59,325,340</u>	<u>58,704,664</u>	<u>-</u>	<u>620,676</u>
(E) Deferred Charges - Municipal - Excluded from "CAPS"					
Emergency Authorizations	4,390,000	4,390,000	4,390,000	-	-
Emergency Authorizations - H. Sandy	1,193,000	1,193,000	1,193,000	-	-
2012 Expenditure without Appropriation	7,619,611	7,619,611	7,619,611	-	-
Reserve for Tax Appeals	400,000	400,000	400,000	-	-
Tax Overpayments	1,385,000	1,385,000	1,357,478	-	-
	<u>14,987,611</u>	<u>14,987,611</u>	<u>14,960,089</u>	<u>27,522</u>	<u>-</u>
(H-2)TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"	<u>102,892,140</u>	<u>110,694,682</u>	<u>109,963,516</u>	<u>-</u>	<u>620,676</u>
(K) Local District School Purposes - Excluded from "CAPS"					
<u>TYPE 1 DISTRICT SCHOOL DEBT</u>					
Maturing Serial Bonds - School Qualified	9,225,000	9,225,000	9,225,000	-	-
Interest on Bonds - School Qualified	2,965,025	2,965,025	2,965,025	-	-
	<u>12,190,025</u>	<u>12,190,025</u>	<u>12,190,025</u>	<u>-</u>	<u>-</u>

**CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
(O) TOTAL GENERAL APPROPRIATIONS - EXCLUDED FROM "CAPS"	\$ 115,082,165	\$ 122,884,707	\$ 122,153,541	\$ -	\$ 620,676
(L) Subtotal General Appropriations	514,395,228	531,697,770	512,324,511	6,453,420	620,676
(M) Reserve for Uncollected Taxes	1,528,223	1,528,223	1,528,223	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 515,923,451</u>	<u>\$ 533,225,993</u>	<u>\$ 513,852,734</u>	<u>\$ 6,453,420</u>	<u>\$ 620,676</u>
Budget As Adopted		\$ 515,923,451	\$ -		
Added by N.J.S.A. 40A:4-87		7,802,542	-		
Reserve for Uncollected Taxes		-	1,528,223		
Cash Disbursements		-	212,880,163		
Qualified Bonds Paid by State		-	46,237,823		
Deferred Charges		9,500,000	7,619,611		
Chargebacks - Interfunds		-	327,605		
Reimbursements - Interfunds		-	(13,665,137)		
Capital Improvement Fund		-	400,000		
Payroll Clearing		-	229,596,053		
State and Federal Grants		-	26,767,443		
Tax Overpayments		-	1,090,953		
Other Reserves		-	1,069,997		
Subtotal: Modified Budget and Paid or Charged		<u>533,225,993</u>	<u>\$ 513,852,734</u>		
Less: Appropriations Canceled		620,676			
		<u>\$ 532,605,317</u>			

**CITY OF JERSEY CITY
TRUST FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31, 2013	December 31, 2012
<u>Assets:</u>		
Assessment Fund:		
Cash and Cash Equivalents	\$ -	\$ 36,093
Animal Control Fund:		
Cash and Cash Equivalents	35,015	55,817
Interfunds Receivable	3,021	-
	<u>38,036</u>	<u>55,817</u>
Other Trust Fund:		
Cash and Cash Equivalents	<u>28,753,041</u>	<u>18,476,943</u>
Insurance Fund:		
Cash and Cash Equivalents	55,039	102,717
Interfunds Receivable	1,357	-
	<u>56,396</u>	<u>102,717</u>
Payroll Clearing Fund:		
Cash and Cash Equivalents	2,672,351	2,490,978
Interfunds Receivable	31,115	71,874
	<u>2,703,466</u>	<u>2,562,852</u>
Unemployment Insurance Trust Fund:		
Cash and Cash Equivalents	<u>932,499</u>	<u>384,891</u>
Law Enforcement Trust Fund:		
Cash and Cash Equivalents	<u>1,669,010</u>	<u>1,697,249</u>
Community Development Block Grant:		
Cash and Cash Equivalents	1,551,837	2,982,882
Federal Grants Receivable	19,909,876	23,069,502
Interfunds Receivable	2,500	5,645
Allotment Receivable	38,683	730,191
	<u>21,502,896</u>	<u>26,788,220</u>
Home Investments Partnership Program:		
Cash and Cash Equivalents	110,062	223,322
Federal Grants Receivable	10,854,271	15,948,557
Interfunds Receivable	69	-
	<u>10,964,402</u>	<u>16,171,879</u>

**CITY OF JERSEY CITY
TRUST FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31, 2013	December 31, 2012
<u>Assets (continued):</u>		
Evertrust Grant:		
Cash and Cash Equivalents	\$ 16,079	\$ 16,079
Interfunds Receivable	8,921	-
	<u>25,000</u>	<u>16,079</u>
HOPWA Grant:		
Cash and Cash Equivalents	54,241	24,359
Federal Grants Receivable	7,107,145	7,459,964
	<u>7,161,386</u>	<u>7,484,323</u>
Martin Luther King (MLK):		
Cash and Cash Equivalents	5,971	5,971
Federal Grants Receivable	-	85,747
	<u>5,971</u>	<u>91,718</u>
State and Federal Grants Fund:		
Cash and Cash Equivalents	9,031,430	7,304,185
Other State and Federal Grants Receivable	53,734,763	55,964,723
Interfunds Receivable	96,388	-
	<u>62,862,581</u>	<u>63,268,908</u>
Total Assets	<u><u>\$ 136,674,684</u></u>	<u><u>\$ 137,137,689</u></u>
<u>Liabilities, Reserves and Fund Balance:</u>		
Assessment Fund:		
Fund Balance	\$ -	\$ 36,093
Animal Control Fund:		
Due to State of New Jersey	241	1,349
Reserve for Expenditures	4,707	45,429
Interfunds Payable	-	6,267
Prepaid Licenses	16,389	-
Reserve for Encumbrances	16,699	2,772
	<u>38,036</u>	<u>55,817</u>

**CITY OF JERSEY CITY
TRUST FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31, 2013	December 31, 2012
<u>Liabilities, Reserves and Fund Balance (continued):</u>		
Other Trust Fund:		
Reserve for Encumbrances	\$ 2,410,540	\$ 2,236,669
Reserves and Special Deposits	25,478,059	16,240,274
Interfunds Payable	864,442	-
	<u>28,753,041</u>	<u>18,476,943</u>
Insurance Fund:		
Miscellaneous Reserves	<u>56,396</u>	<u>102,717</u>
Payroll Clearing Fund:		
Due to Library	67,528	8,634
Interfunds Payable	338,526	1,000
Reserve for Payroll Deduction	2,297,412	2,553,218
	<u>2,703,466</u>	<u>2,562,852</u>
Unemployment Insurance Trust Fund:		
Reserve for Expenditures	840,096	297,607
Due to State	92,403	87,284
	<u>932,499</u>	<u>384,891</u>
Law Enforcement Trust Fund:		
Reserve for Encumbrances	159,427	745,112
Reserve for Federal Forfeitures	635,255	265,146
Reserve for State Forfeitures	874,328	686,991
	<u>1,669,010</u>	<u>1,697,249</u>
Community Development Block Grant:		
Reserve for Encumbrances	8,900,825	13,302,666
Reserve for Expenditures	12,570,956	13,435,761
Interfunds Payable	31,115	49,793
	<u>21,502,896</u>	<u>26,788,220</u>
Home Investments Partnership Program:		
Reserve for Program Income	1,058,169	1,058,169
Reserve for Encumbrances	5,338,452	12,900,389
Reserve for Expenditures	4,563,880	2,191,732
Interfunds Payable	-	19,308
Reserve for Other	3,901	2,281
	<u>10,964,402</u>	<u>16,171,879</u>

**CITY OF JERSEY CITY
TRUST FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31, 2013	December 31, 2012
	<hr/>	<hr/>
<u>Liabilities, Reserves and Fund Balance (continued):</u>		
Evertrust Grant:		
Reserve for Encumbrances	\$ 25,000	\$ 6,873
Reserve for Expenditures	-	9,206
	<hr/> 25,000	<hr/> 16,079
HOPWA Grant:		
Reserve for Encumbrances	2,363,182	3,130,304
Reserve for Expenditures	4,798,204	4,351,206
Due to Payroll Clearing	-	2,773
Other Reserves	-	40
	<hr/> 7,161,386	<hr/> 7,484,323
Martin Luther King (MLK):		
Reserve for Expenditures	<hr/> 5,971	<hr/> 91,718
State and Federal Grants Fund:		
Reserve for Encumbrances	15,674,293	15,604,845
Reserve for Other	1,309,969	1,441,822
Reserve for State and Federal Grants - Appropriated	45,878,319	46,034,566
Interfunds Payable	-	187,675
	<hr/> 62,862,581	<hr/> 63,268,908
Total Liabilities and Reserves	<hr/> <u>\$ 136,674,684</u>	<hr/> <u>\$ 137,137,689</u>

**CITY OF JERSEY CITY
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 59,697,776	\$ 104,767,199
Deferred Charges to Future Taxation:		
Funded	517,566,135	550,465,790
Unfunded	72,666,858	66,783,054
Deferred Charges to Future Water Rents - Unfunded	21,467,528	21,467,528
Due from State and Federal Governments	2,059,900	2,059,900
Due from Municipal Utilities Authority	34,450,000	37,425,000
School Building Property	68,116	68,116
	<u>\$ 707,976,313</u>	<u>\$ 783,036,587</u>
<u>Liabilities and Reserves</u>		
Interfund Payable	\$ 4,188,665	\$ 19,200
Reserve for Encumbrances	725,289	601,682
Improvement Authorizations:		
Funded	68,165,573	123,152,217
Unfunded	33,982,916	28,229,274
School Serial Bonds Payable	55,220,000	64,445,000
General Serial and Term Bonds Payable	418,302,950	440,738,950
Pension Refunding Bonds	41,960,000	42,740,000
Water Serial Bonds Payable	34,450,000	37,425,000
Hudson County Improvement Authority Loan Payable	722,223	1,083,334
Green Trust Loans Payable	1,360,962	1,458,506
Bond Anticipation Notes	28,339,000	18,676,000
Tax Appeal Refunding Notes Payable	11,097,000	15,276,196
Capital Improvement Fund	867,936	467,936
Miscellaneous Reserves	5,098,401	5,491,117
	<u>704,480,915</u>	<u>779,804,412</u>
Fund Balance	<u>3,495,398</u>	<u>3,232,175</u>
Total Liabilities, Reserves, and Fund Balance	<u>\$ 707,976,313</u>	<u>\$ 783,036,587</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2013 and 2012 of \$54,698,386 and \$54,298,386 respectively.

**CITY OF JERSEY CITY
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS

Balance: December 31, 2012	\$ 3,232,175
Increased by:	
Bond and Note Sale Premiums	<u>263,223</u>
Balance: December 31, 2013	<u><u>\$ 3,495,398</u></u>

**CITY OF JERSEY CITY
GENERAL FIXED ASSETS
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Land	\$ 135,599,800	\$ 135,599,800
Improvements	125,624,022	125,485,422
Machinery and Equipment	<u>58,977,066</u>	<u>56,299,289</u>
Total Assets	<u><u>\$ 320,200,888</u></u>	<u><u>\$ 317,384,511</u></u>
 <u>Investment in Fixed Assets:</u>		
Investment in Fixed Assets	<u><u>\$ 320,200,888</u></u>	<u><u>\$ 317,384,511</u></u>

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Jersey City (the “City”) is organized as a Mayor – Council municipality under the provisions of N.J.S.A. 40:69A. The City is governed by an elected Mayor and Council, and by such other officers and employees as may be duly appointed. The Council consists of nine members, six of whom are elected from the City’s six wards and three of whom are elected at-large by voters of the City. The Mayor is also elected directly by the voters of the City. The Mayor and each Council member serve a term of four years beginning on the first day of July next following their election.

The financial statements of the City include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by N.J.S.A. 40A:5-5. The Governmental Accounting Standards Board (herein referred to as “GASB”) establishes criteria to be used to determine which component units should be included in the financial statements of the primary government (the City). The State of New Jersey, Department of Community Affairs, Division of Local Government Services (the “Division”) requires the financial statements of the City to be reported separately from its component units. If the provisions of GASB had been complied with, the financial statements of the following component units would have been discretely presented with the financial statements of the City:

Jersey City Board of Education	Jersey City Free Public Library
Jersey City Incinerator Authority	Jersey City Economic Development Corp
Jersey City Central Ave SID	Jersey City Historic Downtown SID
Jersey City Journal Square SID	Jersey City McGinley Square SID
Jackson Hill Main Street SID	Jersey City Parking Authority
Jersey City Housing Authority	Jersey City Redevelopment Agency
Jersey City Municipal Utilities Authority	Jersey City Employees' Retirement System
Jersey City Employment and Training Program, Inc.	

Audit reports of the component units are available at the offices of each of the respective component units.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund categories to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the City have been prepared in conformity with accounting principles and practices prescribed by the Division, which differ from GAAP. The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through the following separate funds and account group, which differ from the fund structure required by GAAP.

DESCRIPTION OF FUNDS

Current Fund - is used to account for all resources and expenditures for governmental operations of a general nature.

Trust Funds - is used to account for receipts, custodianship and disbursement of dedicated revenues in accordance with the purpose for which each reserve was created, subject to available cash in each individual trust fund reserve established pursuant to applicable state statutes or as an agent for individuals and other governmental agencies. The City also includes the State and Federal Grants Fund as part of its Trust Fund, as opposed to the Current Fund as is common practice for many other New Jersey municipalities.

General Capital Fund - is used to account for the receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund or other funds. Also included in this fund are bonds and notes payable offset by deferred charges to future taxation and deferred charges to future water rents.

General Fixed Assets - is not a separate fund type, but is an account group used to account for all fixed assets of the City.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DESCRIPTION OF FUNDS (continued)

The accounts of the City are maintained in accordance with the Division's principles of fund accounting to ensure observance of limitations and restrictions on resources available. The Division's principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fixed Assets account group, on the other hand, is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

BASIS OF ACCOUNTING

The City prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The current financial resources focus and modified accrual basis of accounting is generally followed with significant exceptions which are explained as follows:

Revenues – Revenues are realized when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal revenue sharing funds and other Federal and State grants are realized as revenue when anticipated in the budget. Receivables for property taxes and other amounts that are due to the City are recorded with offsetting reserves on the balance sheet of the Current Fund. Such amounts are not recorded as revenue until collected. Accordingly, no provision has been made to estimate that portion of receivables that are uncollectible. GAAP requires revenues to be recognized in the accounting period when they become measurable and available and in certain instances reduced by an allowance for doubtful accounts.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is required to provide assurance that cash collected for taxes in the current year will provide sufficient cash flow to meet expected obligations. The minimum amount of Reserve for Uncollected Taxes is determined on the percentage of collections experienced in the immediate preceding year, unless allowable alternative methods are utilized. A Reserve for Uncollected Taxes is not established under GAAP.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Appropriation reserves covering unexpended appropriation balances are automatically created at the end of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriations for principal and interest payments on general capital indebtedness are provided on the cash basis. GAAP requires expenditures in the current (or general) fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which should be recognized when due.

Encumbrances – Encumbrances are contractual orders outstanding at year end reported as expenditures through the establishment of an encumbrance payable. Outstanding encumbrances at year end are reported as a cash liability in the financial statements. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves – Appropriations are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Transfers are allowed between certain line items during the first three months of the fiscal year. Lapsed appropriation reserves are recorded as other credits to income. Appropriation Reserves do not exist under GAAP.

Interfunds - Advances from the current fund are reported as interfunds receivable with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfunds receivable in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time the individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Property Acquired for Taxes – Property Acquired for Taxes is recorded in the current fund at the assessed valuation when the property was acquired and is subsequently updated for revaluations. The value of the property is fully reserved. GAAP requires such property to be recorded as a fixed asset at market value on the date of acquisition.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Deferred Charges to Future Taxation (Funded and Unfunded) - Upon the authorization of general capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized costs of capital projects. The City may levy taxes on all taxable property within the City to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation.

Deferred Charges to Future Water Rents – Upon the authorization of water capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future water rents. Funded deferred water rents relate to permanent debt issued. The City may impose water rents on all water users within the City to repay the debt. GAAP does not require the establishment of deferred charges to future water rents.

Compensated Absences and Post-Employment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources to be recorded as an expenditure in the operating funds and the remaining obligations be recorded as long-term obligations.

Improvement Authorizations – Improvement Authorizations in the general capital fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the current fund. GAAP does not recognize these amounts as liabilities.

General Fixed Assets - Accounting for Governmental Fixed Assets as promulgated by the Division differs in certain respects from GAAP, and requires the inclusion of a statement of general fixed assets as part of the City's basic financial statements.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Fixed assets used in governmental operations (general fixed assets) are accounted for in an account group identified as “General Fixed Assets” and are not included within the records of any fund types. Purchases from these funds for fixed assets are recorded as expenditures within the fund. Public domain (infrastructure) general fixed assets consisting of certain improvements, other than improvements to buildings, such as improvements to roads, bridges, curbs and gutters, streets and sidewalks and drainage systems, are not capitalized.

All fixed assets, except land, are valued at historical cost or estimated historical cost if actual historical cost is not available. Expenditures for construction in progress are recorded in the Capital Fund against authorizations under which the project was approved until such time as the construction is completed and put into operation.

The City is required to maintain a subsidiary ledger of detailed records of fixed assets and to provide property management standards to control fixed assets. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than five years and an acquisition cost of \$5,000 or more per unit.

The City has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by an independent appraisal firm.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

No depreciation has been provided in the financial statements.

GAAP requires the recording of infrastructure assets and requires capital assets be depreciated over their estimated useful life unless they are either inexhaustible or are infrastructure assets reported using the modified approach.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Cash and Investments - New Jersey governmental units are required to deposit public funds in a public depository. Public depositories are defined by statutes as any state or federally chartered bank, savings bank or an association located in New Jersey or a state or federally chartered bank, savings bank or an association located in another state with a branch office in New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation ("FDIC") and which receives or holds public funds on deposit, but does not include deposits held by the State of New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The City is also required to annually adopt a cash management plan and to deposit or invest its funds pursuant to the cash management plan. The cash management plan adopted by the City requires it to deposit funds as permitted in N.J.S.A 40:5-15.1, so long as the funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey and requires all public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

In 2009, legislation revised GUDPA to provide higher levels of security and oversight. The revised GUDPA ensures a common level of deposit risk for each bank choosing to accept local government deposits. It requires banks to fully collateralize deposits over \$200 million, implements enforcement protocol which allows the Department of Banking and Insurance to institute risk-based collateral requirements promptly when a bank shows signs of stress, provides enhanced oversight by the Department of Banking and Insurance and permits GUDPA certificates to be provided through an online system.

Cash Equivalents include certificate of deposits with a maturity date of less than three (3) months.

Also see Note B - Cash and Cash Equivalents.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City and approved by the Division in accordance with the Local Budget Law. Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements. The budgetary requirements herein outlined are applicable to only the Current Fund, and not the Trust Fund, Capital Fund or the General Fixed Assets account group. However, statutes require the City to adopt annually a six-year capital plan. This plan allows the governing body to expend or incur obligations for capital purposes only. Such projects under the plan must be adopted through capital ordinance.

The City must adhere to procedures for adoption of its annual budget as established by the Division. These procedures include statutory deadlines of: February 20 for introduction and approval and March 20 for adoption. These dates are subject to extension by the Division by approval of the Local Finance Board. Appropriations within the adopted budget cannot be modified until the final two months of the year at which time transfers between certain line items are allowed. Transfers from appropriations excluded from "CAPS" are prohibited unless they are between debt service appropriations. Under certain circumstances emergency authorizations and insertions of items of revenue and appropriation are allowed by authorization of the governing body, subject to approval of the Division.

The City must prepare its budgets in compliance with applicable laws capping the amounts by which both the budgeted appropriations and tax levy can be increased. A description of both "CAPS" follows:

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the City is permitted to increase its overall appropriations (with certain exceptions) by 2.5% or the "cost of living adjustment" (COLA), whichever is less. The COLA is calculated based on the traditional Federal government inflation calculation. The City can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap spending to 3.5%, upon passage of a COLA Rate Ordinance.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Budgets and Budgetary Accounting – continued

2010 Levy "CAP": The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A 40A:4-45.44 through 45.47. It establishes limits on the increase in the total City amount to be raised by taxation (tax levy). The core of the levy cap formula is a 2% increase to the previous year's amount to be raised by taxation, net of any applicable cap base adjustments and emergency or special emergency appropriations.

Long-Term Obligations - General long-term debt is recognized as a liability of the General Capital Fund for the full principal amount.

Reserves (Other than Reserve for Receivables) - Reserves, other than reserve for receivables, are considered liabilities, and not as a reservation of fund balance.

Reserves for Receivables – Receivables of the City, with the exception of certain intergovernmental receivables, are offset on the balance sheet with a credit that is created to preserve the revenue recognition basis required by the Division's accounting policies. The reserve delays the recognition of these revenues until they are received in cash.

Advertising Costs - Advertising costs are charged against the appropriate budget line as they occur. The City does not engage in direct-response advertising.

Sale of Municipal Assets - The proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Fund Balance - Fund equity represented on the financial statements consists solely of Fund Balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIC FINANCIAL STATEMENTS

The GASB Codification also requires the financial statements of a governmental unit presented in the general purpose financial statements to be in accordance with GAAP. The City presents financial statements which are required by the Division and which differ from the financial statements required by GAAP. These financial statements are listed in the table of contents.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the City's financial position and operations. Comparative data is not presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications – Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. These reclassifications had no effect on fund balance and changes in fund balance.

Reconciliation of Accounting Basis – As described throughout Note A, substantial differences exist between GAAP and the budgetary basis prescribed by the Division. Reconciliation between the two would not be meaningful or informative and therefore is not provided herein.

NOTE B. CASH AND CASH EQUIVALENTS

DEPOSITS

Cash and cash equivalents on deposit as of the years ended December 31, 2012 and 2011 are partially insured by the FDIC up to \$250,000 for each depository. Deposits in excess of FDIC limits, as noted below, are insured or collateralized by a collateral pool maintained by public depositories as required by GUDPA (see Note A - Cash and Investments) or are on deposit with the New Jersey Cash Management Fund or Municipal Investors Service Corporation.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk.

NOTE B. CASH AND CASH EQUIVALENTS (continued)

DEPOSITS (continued)

Custodial Credit Risk – continued

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution.
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

The City's deposits of cash and cash equivalents at December 31, 2013 are summarized in the following table. 63% of the City's deposits are with one financial institution and 19% with another. The remaining 18% of deposits are spread among four financial institutions.

FDIC Insured	\$ 1,331,875
GUDPA Insured	168,345,279
New Jersey Cash Management Fund	<u>113,090</u>
	<u><u>\$ 169,790,244</u></u>

Under GUDPA, financial institutions are not required to pledge collateral for amounts covered by FDIC insurance. For the period of December 1, 2010 to December 31, 2012, noninterest-bearing transaction accounts are insured by the Dodd-Frank Deposit Insurance Provision of the FDIC. The amount noted as "GUDPA Insured" above includes deposits covered by the Dodd-Frank Provision as well as GUDPA.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. None of the City's deposits as of December 31, 2013 are known to be held in foreign currency.

NOTE B. CASH AND CASH EQUIVALENTS (continued)

INVESTMENTS

New Jersey statutes permit the City to purchase the following types of securities when authorized by the cash management plan (described in note A):

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- Government money market mutual funds.
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.
- Local government investment pools.
- Deposits with the State of New Jersey Cash Management Fund.
- Agreements for the repurchase of fully collateralized securities if (a) the underlying securities are permitted investments pursuant to the first and third bullets of this section, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository and (e) a master repurchase agreement providing for the custody and security of collateral is executed.

Custodial Credit Risk - In the case of investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name and are held by either the counterparty or its trust department or agent, but not in the City's name.

Foreign Currency Risk - Investments are also exposed to the same foreign currency risk as deposits. It is the risk that changes in exchange rates will adversely affect investments. The City does not have any investments denominated in foreign currency as of December 31, 2013 and 2012.

NOTE B. CASH AND CASH EQUIVALENTS (continued)

INVESTMENTS (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy regarding the management of credit risk.

Concentration of Credit Risk - The City places no formal limit on the amount it may invest in any one issuer. New Jersey Statutes limit municipal investments to those specified and summarily identified in the first paragraph of the “Investments” section of this Note. Currently, the City’s only investments consist of deposits in the New Jersey Cash Management Fund and MBIA Municipal Investors Service Corporation, which are both classified as Government Investment Pools.

The City’s investments at December 31, 2013 are presented as follows:

Investment Type	Fair Value*	Investment Maturities (in Years)			
		< 1	1 - 5	6 - 10	> 10
Government Investment Pools	\$ 113,090	\$ 113,090	\$ -	\$ -	\$ -

* Short-term investments are carried at cost, which approximates fair value.

Government Investment Pools consists of investments in the New Jersey Cash Management Fund and MBIA Municipal Investors Service Corporation. Because of their liquidity, these investments are classified as cash and cash equivalents on the financial statements of the City.

These investments are described in more detail on the following page.

NOTE B. CASH AND CASH EQUIVALENTS (continued)

INVESTMENTS (continued)

New Jersey Cash Management Fund - All investments in the New Jersey Cash Management Fund are governed by the regulations of the State Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In addition to the Investment Council regulations, the Division of Investment sets further standards for specific investments and monitors the credit of all eligible securities issues on a regular basis. In all the years of the Division of Investment's existence, it has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated in the New Jersey Cash Management Fund as additional protection for the other-than-State participants, which includes the City. The City does not own specific identifiable securities, but instead has a net realizable interest in the joint value of the fund. There is no available credit rating for the New Jersey Cash Management Fund. As of December 31, 2013 and 2012, the City had a balance of \$113,090 and \$113,027, respectively, in the New Jersey Cash Management Fund.

Municipal Investors Service Corporation ("MBIA") - The State of New Jersey provides oversight for this government investment pool. All securities purchased by MBIA are required to be in compliance with New Jersey Statutes and held in a third party custody account. MBIA uses the amortized cost method of reporting investments. The City does not own specific, identifiable securities, but instead has a net realizable interest in the joint value of the pool. There is no credit rating available for the MBIA. As of December 31, 2013 and 2012, the City had a balance of \$-0- and \$915, respectively, in the MBIA Government Investment Pool.

NOTE C. PROPERTY TAXES

PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. The City annually holds an accelerated tax sale which includes unpaid taxes, as well as assessments and other municipal charges, as of November 11 of the current year.

The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budget of the following entities:

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAX CALENDAR (continued)

County Taxes - The City is responsible for levying, collecting and remitting county taxes for the County of Hudson. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. Monies are forwarded to the County quarterly. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year. As of December 31, 2013 and 2012, the City had County taxes payable of \$1,507,446 and \$739,097, respectively.

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the local school district. Monies are forwarded to the school district monthly. Operations is charged for the full amount due to operate the local school district, and is based upon the annual County certification of apportionment of levies. As of December 31, 2013 and 2012, the City had no school taxes payable.

Special Improvement District - The City is responsible for levying, collecting and remitting Special Improvement District (SID) taxes for the Central Ave SID, Journal Square Restoration Corp. SID, Historic Downtown / Newark Ave SID, McGinley Square Partnership SID and the Jackson Hill Main Street SID. The SID taxes are derived from assessments made upon the members within the SID. Monies are forwarded to the SIDs monthly. As of December 31, 2013 and 2012, the City had on reserve for SIDs \$354,584 and \$212,914, respectively.

PROPERTY TAXES RECEIVABLE

Reserve for Uncollected Taxes - Reserve for Uncollected Taxes is a non-spending item of appropriation required by statute to be included in the City's annual budget. This appropriation protects the City from taxes not paid currently by providing assurance that cash collected in the current year will provide sufficient cash flow to meet obligations as they become due. The minimum amount required to be appropriated in the budget is determined on the percentage of collections experiences in the immediate preceding year, unless the three-year average option is chosen. For the years ended December 31, 2013 and 2012, the budgeted reserve for uncollected taxes was \$1,528,223 and \$3,759,566, respectively.

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAXES RECEIVABLE (continued)

Delinquent Taxes and Tax Title Liens - As described in Note A, taxes receivable and tax title liens are realized as revenue when collected. Uncollected receivables are fully reserved, so no provision is made for the uncollectible portions of these taxes. As of December 31, 2013 and 2012, property taxes receivable were \$2,768,273 and \$2,649,577, respectively, and tax title liens receivable were \$326,028 and \$114,206, respectively.

Property Acquired by Tax Title Lien Liquidation – The City held its annual accelerated tax sale on December 19, 2013. The value of properties acquired by tax title liens at December 31, 2013 and 2012 were \$1,591,500 and \$1,652,600, respectively.

Prepaid Taxes - Taxes collected in advance are recorded as cash liabilities in the financial statements. Prepaid taxes as of December 31, 2013 and 2012 were \$4,984,248 and \$3,654,537, respectively.

Tax Overpayments - Overpaid taxes collected during the year and due to taxpayers either as a refund or tax credit are recorded as cash liabilities in the financial statements. Tax overpayments as of December 31, 2013 and 2012 were \$3,822,536 and \$3,213,184, respectively.

NOTE D. MUNICIPAL DEBT

SUMMARY OF MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds to finance general municipal and utility capital expenditures. Most bonds are retired in serial installments within the statutory period of usefulness. Other bonds may be term bonds with sinking fund requirements. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond Anticipation Notes, which are issued to temporarily finance capital projects, must be paid off within ten years or retired by the issuance of bonds.

School Debt (Included as Obligations of the City) - The City of Jersey City Board of Education is a Type I School District, as such, bonds and notes issued and authorized by the Board of Education are general obligations of the City. These obligations are accordingly reported on the balance sheet of the City's General Capital Fund and included in the summary of municipal debt.

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

At December 31, 2013 and 2012, the City's statutory debt as defined by the Local Bond Law is summarized as follows:

SUMMARY OF MUNICIPAL DEBT		
	Dec. 31, 2013	Dec. 31, 2012
Statutory Debt Pursuant to Local Bond Law		
<u>Issued:</u>		
General:		
General Improvement Bonds	\$ 418,302,950	\$ 440,738,950
Green Trust Loans	1,360,962	1,458,506
HCIA Pooled Loans	722,223	1,083,334
Tax Appeal Refunding Notes	11,097,000	15,276,196
Bond Anticipation Notes	28,339,000	18,676,000
Water Improvement Bonds	34,450,000	37,425,000
School Improvement Bonds	55,220,000	64,445,000
Pension Refunding Bonds	41,960,000	42,740,000
Total Gross Statutory Debt Issued	591,452,135	621,842,986
Debt of JCMUA Guaranteed by City	206,156,132	222,200,627
	797,608,267	844,043,613
Less Statutory Deductions to Debt Limit:		
Debt of JCMUA Guaranteed by City	206,156,132	222,200,627
Due from JCMUA for Issued Water Debt	34,450,000	37,425,000
Bonds and Notes for School Purposes	55,220,000	64,445,000
NJSA40A:2-52 Refunding Bonds:		
Pension Refunding	41,960,000	42,740,000
Tax Appeal Refunding	11,097,000	15,276,196
Net Statutory Debt Issued	448,725,135	461,956,790
<u>Authorized but not Issued</u>		
General Improvements	27,014,831	26,614,831
Water Improvements	21,467,528	21,467,528
School Improvements	6,216,027	6,216,027
Total Authorized but not Issued	54,698,386	54,298,386
Less Statutory Deductions to Debt Limit:		
Bonds and Notes for School Purposes	6,216,027	6,216,027
Due from JCMUA for Water Debt		
Authorized but not Issued	21,467,528	21,467,528
Net Statutory Debt Authorized but not Issued	27,014,831	26,614,831
Net Statutory Bonds and Notes Issued and Authorized but not Issued	\$ 475,739,966	\$ 488,571,621

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

In addition to the capital debt shown in the preceding schedule, the City had additional debt which, in accordance with statutes, is not included as part of the City's statutory debt position. All such debt is recorded in the Current Fund and is as follows:

Non-Statutory Debt

Issued:

Current Fund

Emergency Notes (40A:4-55):

Severance Liabilities	\$ 18,920,000	\$ 13,180,000
Revaluation of Properties	1,890,000	2,520,000
Superstorm Sandy	<u>4,772,000</u>	<u>5,965,000</u>
Total Non-Statutory Debt	<u>\$ 25,582,000</u>	<u>\$ 21,665,000</u>

The City's long-term debt is summarized below.

	Balance Dec. 31, 2012	(1) New Issues	Retirements	Balance Dec. 31, 2013	Due by Dec. 31, 2014
School Serial Bonds	\$ 64,445,000	\$ -	\$ 9,225,000	\$ 55,220,000	\$ 7,945,000
General Serial and Term Bonds	440,738,950	1,880,000	24,316,000	418,302,950	25,289,000
Pension Refunding Bonds	42,740,000	-	780,000	41,960,000	980,000
Water Serial Bonds	37,425,000	895,000	3,870,000	34,450,000	3,255,000
HCIA Pooled Loan	1,083,334	-	361,111	722,223	361,111
Green Trust Loans	<u>1,458,506</u>	<u>-</u>	<u>97,544</u>	<u>1,360,962</u>	<u>99,505</u>
	<u>\$ 587,890,790</u>	<u>\$ 2,775,000</u>	<u>\$ 38,649,655</u>	<u>\$ 552,016,135</u>	<u>\$ 37,929,616</u>

(1) New issues represent only new debt issued and are shown net of amounts refunded, which are described more fully as follows.

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

Debt Refunding

On March 20, 2013, the City issued refunding bonds in the amount of \$36,720,000, consisting of:

- \$24,670,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2013A, the proceeds of which refunded \$22,790,000 of the remaining principal balance of \$28,685,000 of the General Obligation Bonds, Series 2004A issued on October 15, 2004 in the original amount of \$69,625,000. The additional \$1,880,000 of new principal was used to pay the full redemption price and interest on the bonds, costs of issuance and underwriters' discount.
- \$12,050,000 Qualified Water Improvement Refunding Bonds, Series 2013B, the proceeds of which refunded \$4,670,000 of the remaining principal balance of \$5,690,000 of the Qualified Water Refunding Bonds, Series 2004C issued on October 15, 2004 in the original amount of \$15,050,000 and \$6,485,000 of the remaining principal balance of \$7,340,000 of the Qualified Water Refunding Bonds, Series 2004C issued on October 15, 2004 in the original amount of \$15,125,000. The additional \$895,000 of new principal was used to pay the full redemption price and interest on the bonds, costs of issuance and underwriters' discount.

The City also renewed or refunded Tax Refunding Notes, the proceeds of which were used to pay the principal of the maturing note less statutory minimum payments appropriated through the Current Fund budget, and Bond Anticipation Notes, the proceeds of which were used to pay the principal of the maturing note. Tax Refunding Notes and Bond Anticipation Notes are more fully discussed herein.

Qualified Bonds

Certain bonds of the City are issued pursuant to the Municipal Qualified Bond Act. Under this act, portions of State Aid revenues are withheld by the State of New Jersey and forwarded directly to paying agents for principal and interest payments of such bonds. The City is responsible to certify maturity schedules of the qualified bonds to the State. Qualified bonds are identified within each of bond schedules that follow. During the years ended December 31, 2013 and 2012, the State of New Jersey paid \$46,237,823 and \$42,550,218, respectively, of qualified bond interest and principal maturities directly to paying agents on behalf of the City in lieu of direct State Aid payments to the City.

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

BONDS PAYABLE

General Serial and Term Bonds Payable

The City has outstanding at December 31, 2013 various general serial and term bonds. The following table, which includes fiscal year adjustment bonds in addition to the general improvement bonds, is a summary of the activity for such debt during the year then ended and the short term liability for each issue:

Description	Summary of General Serial Bonds Activity			Balance Dec. 31, 2013	Due by Dec. 31, 2014
	Balance Dec. 31, 2012	Increase	Decrease		
General Qualified Refunding Bonds Issued 12/01/2002 for \$38,020,000 Maturing annually from 2002 to 2016 Bearing interest rates of 5-5.25%	\$ 12,485,000	\$ -	\$ 4,170,000	\$ 8,315,000	\$ 2,695,000
General Public Improvement Refunding Bonds, Series 2004A Issued 10/15/2004 for \$69,625,000 Maturing annually from 2004 to 2020 Bearing interest rates of 3.1-5.25%	34,505,000	-	28,610,000	5,895,000	5,895,000
Qualified Public Improvement Refunding Bonds, Taxable Series 2004B Issued 10/15/2004 for \$5,395,000 Maturing annually from 2004 to 2014 Bearing interest rates of 4.306-5.246%	1,270,000	-	620,000	650,000	650,000
Qualified Public Improvement Refunding Bonds, Taxable Series 2004C Issued 10/15/2004 for \$6,245,000 Maturing annually from 2004 to 2014 Bearing interest rates of 4.306-4.726%	1,465,000	-	715,000	750,000	750,000
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2004D Issued 10/15/2004 for \$5,515,000 Maturing annually from 2004 to 2020 Bearing interest rates of 4.306-5.246%	3,225,000	-	335,000	2,890,000	355,000
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2004D Issued 10/15/2004 for \$5,330,000 Maturing annually from 2004 to 2020 Bearing interest rates of 4.306-5.246%	3,110,000	-	325,000	2,785,000	340,000

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial and Term Bonds Payable - continued

Summary of General Serial Bonds Activity - continued					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2004D Issued 10/15/2004 for \$6,570,000 Maturing annually from 2004 to 2020 Bearing interest rates of 4.306-5.246%	\$ 3,860,000	\$ -	\$ 405,000	\$ 3,455,000	\$ 425,000
Qualified Public Improvement Refunding Bonds, Series 2006A Issued 3/30/2006 for \$27,155,000 Maturing in two installments, 2021-2022 Bearing an interest rate of 5%	27,155,000	-	-	27,155,000	-
Qualified Public Improvement Refunding Bonds, Taxable Series 2006B Issued 3/30/2006 for \$72,595,000 Maturing in one lump sum in 2021 Bearing an interest rate of 5.49%	72,595,000	-	-	72,595,000	-
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2006E Issued 3/30/2006 for \$27,305,000 Maturing in one lump sum in 2016 Bearing an interest rate of 5.38%	19,170,000	-	4,410,000	14,760,000	4,655,000
Qualified General Improvement Bonds Series 2006A Issued 11/2/2006 for \$32,163,000 Maturing annually from 2006 to 2023 Bearing interest rates of 4.125-4.25%	24,773,000	-	1,805,000	22,968,000	1,885,000
Qualified General Improvement Refunding Bonds, Series 2007A Issued 4/25/2007 for \$27,680,000 Maturing annually from 2014 to 2023 Bearing interest rates of 4-5.55%	27,680,000	-	-	27,680,000	20,000
Qualified General Improvement Refunding Bonds, Series 2007A Issued 12/7/2007 for \$26,242,000 For funding of Ordinance No. 07-162 Maturing annually on August 1 from 2010 to 2024 Bearing interest rates of 4-4.25%	20,517,000	-	1,340,000	19,177,000	1,395,000

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial and Term Bonds Payable - continued

Summary of General Serial Bonds Activity - continued					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Qualified General Improvement Bonds Series 2009 Issued 12/29/2009 for \$39,928,000 For funding of Ordinance No. 08-148 Maturing annually on January 15 from 2011 to 2029 Bearing an interest rate of 5%	35,993,000	-	1,435,000	34,558,000	1,505,000
Qualified General Improvement HCIA Bonds Series 2009 Issued 12/17/2009 for \$2,000,000 Maturing annually on August 1 from 2010 to 2019 Bearing an interest rate of 8%	1,490,000	-	186,000	1,304,000	194,000
Qualified General Improvement Bonds JCPA Tax Exempt, Series 2009A Issued 12/17/2009 for \$3,380,950 For funding of Ordinance No. 09-109 Maturing annually on July 15 from 2010 to 2029 Bearing interest rates of 4-5%	3,270,950	-	55,000	3,215,950	65,000
Qualified General Improvement Bonds JCPA Taxable, Series 2009A For funding of Ordinance No. 09-109 Issued 12/17/2009 for \$1,000,000 Maturing annually on July 15 from 2010 to 2019 Bearing interest rates of 4.75-6.00%	700,000	-	100,000	600,000	100,000
General Improvement Bonds Taxable Series 2010B, Build America Bonds For funding of Ordinance No. 09-068 and 10-081 Issued 11/3/2010 for \$84,495,000 Maturing annually on Nov. 1, 2011-2027 and 2031, 2036, 2040 Bearing interest rates of 3.25-7.25%	84,035,000	-	480,000	83,555,000	785,000
General Improvement Bonds, Taxable Series 2010C Recovery Zone Economic Development Bonds For funding of Ordinance No. 09-068 and 10-081 Issued 11/3/2010 for \$6,420,000 Maturing annually on Nov. 1, 2021-2025 and 2030, 2035, 2040 Bearing interest rates of 3.25-7.25%	6,420,000	-	-	6,420,000	-
Qualified General Improvement Refunding Bonds, Series 2011A Issued 12/30/2011 for \$11,253,000 To refund Qualified General Improvement Bonds dated 9/1/2003 Maturing annually on Sept. 1, 2012-2019 and 2022 semiannually 2014 Bearing interest rates of 1.75-4.00%	11,050,000	-	200,000	10,850,000	1,325,000

NOTE D. MUNICIPAL DEBT (continued)**BONDS PAYABLE** (continued)**General Serial and Term Bonds Payable - continued**

Summary of General Serial Bonds Activity - continued					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Qualified General Improvement Bonds, Series 2012 Issued 8/21/2012 for \$24,875,000 For partial funding of Ordinance No. 12-042 Maturing annually on March 1, 2013-2027 Bearing interest rates of 3.00-5.00%	24,875,000	-	1,270,000	23,605,000	1,310,000
Qualified General Improvement Refunding Bonds, Series 2012A Issued 9/6/2012 for \$16,405,000 To refund Qualified General Improvement Bonds dated 5/15/2005 Maturing annually on Sept. 1, 2013-2025 Bearing interest rates of 2.75-4.00%	16,405,000	-	185,000	16,220,000	165,000
Qualified General Improvement Refunding Bonds, Taxable Series 2012C Issued 9/6/2012 for \$4,690,000 Maturing annually on Sept. 1, 2013-2022 and 2033	4,690,000	-	170,000	4,520,000	165,000
Qualified Public Improvement Refunding Bonds, Taxable Series 2013A Issued 3/20/2013 for \$24,670,000 Maturing annually on Sept. 1, 2014-2020 Bearing interest rates of 0.942-2.723%	-	24,670,000	290,000	24,380,000	610,000
	-	-	-	-	-
	<u>\$ 440,738,950</u>	<u>\$ 24,670,000</u>	<u>\$ 47,106,000</u>	<u>\$ 418,302,950</u>	<u>\$ 25,289,000</u>
Refunded		<u>22,790,000</u>	<u>22,790,000</u>		
Increase and Decrease Net of Refunding		<u>\$ 1,880,000</u>	<u>\$ 24,316,000</u>		

Build America and Recovery Zone Bonds

The City has outstanding at December 31, 2013, \$83,555,000 and \$6,420,000 of Build America Bonds and Recovery Zone Economic Development Bonds, respectively. As part of the American Recovery and Reinvestment act, the City is to receive Federal subsidy payments equal to 35% of the interest payments on Build America Bonds and 45% of the interest payments on Recovery Zone Bonds.

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial and Term Bonds – Sinking Fund Redemption

The General Improvement Bonds dated November 3, 2010 (Series 2010B and 2010C) and the Qualified General Improvement Refunding Bonds dated September 6, 2012 (Taxable Series 2012C) consist partially of term bonds in addition to serial payments. These term bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for redemption.

On the following page is the sinking fund schedule for each of the term bond payments required for the Series 2010 B and Series 2010C General Improvement Bonds and the Taxable Series 2012C Qualified General Improvement Refunding Bonds:

<u>SCHEDULE OF MANDATORY SINKING FUND PAYMENTS</u>								
	<u>Series 2010B Term Bonds Maturing</u>			<u>Series 2010C Term Bonds Maturing</u>			<u>Series 2012C Term Bonds Maturing</u>	
	<u>Nov. 1, 2031</u>	<u>Nov. 1, 2036</u>	<u>Nov. 1, 2040</u>	<u>Nov. 1, 2030</u>	<u>Nov. 1, 2035</u>	<u>Nov. 1, 2040</u>	<u>Sept. 1, 2033</u>	<u>TOTAL</u>
2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,000	\$ 205,000
2024	-	-	-	-	-	-	215,000	215,000
2025	-	-	-	-	-	-	225,000	225,000
2026	-	-	-	255,000	-	-	240,000	495,000
2027	-	-	-	265,000	-	-	250,000	515,000
2028	3,075,000	-	-	275,000	-	-	265,000	3,615,000
2029	3,205,000	-	-	295,000	-	-	25,000	3,525,000
2030	3,355,000	-	-	305,000	-	-	290,000	3,950,000
2031	3,515,000	-	-	-	315,000	-	310,000	4,140,000
2032	-	3,665,000	-	-	335,000	-	320,000	4,320,000
2033	-	3,840,000	-	-	345,000	-	335,000	4,520,000
2034	-	4,020,000	-	-	355,000	-	-	4,375,000
2035	-	4,200,000	-	-	375,000	-	-	4,575,000
2036	-	4,390,000	-	-	-	395,000	-	4,785,000
2037	-	-	4,595,000	-	-	405,000	-	5,000,000
2038	-	-	4,795,000	-	-	435,000	-	5,230,000
2039	-	-	5,025,000	-	-	450,000	-	5,475,000
2040	-	-	5,250,000	-	-	465,000	-	5,715,000
Due at								
Maturity	\$ 13,150,000	\$ 20,115,000	\$ 19,665,000	\$ 1,395,000	\$ 1,725,000	\$ 2,150,000	\$ 2,035,000	\$ 60,235,000

School Serial Bonds Payable

The City has outstanding at December 31, 2013 various school serial bond debt issues. The table on the following page is a summary of the activity for such debt during the year then ended and the short term liability for each issue:

NOTE D. MUNICIPAL DEBT (continued)**BONDS PAYABLE** (continued)**School Serial Bonds Payable** - continued

Summary of School Serial Bonds Activity					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
School Refunding Bonds Issued 12/01/2002 for \$38,505,000 Maturing annually from 2003 to 2016 Bearing interest rates of 5-5.25%	\$ 12,655,000	\$ -	\$ 4,225,000	\$ 8,430,000	\$ 2,730,000
Qualified School Refunding Bonds, Series 2005C Issued 6/16/2005 for \$33,100,000 Maturing annually from 2006 to 2021 Bearing interest rates of 4-5%	25,250,000	-	1,220,000	24,030,000	1,275,000
Qualified School Refunding Bonds, Series 2007C Issued 4/25/2007 for \$12,645,000 Maturing annually from 2013 to 2016 Bearing an interest rate of 5%	12,595,000	-	3,085,000	9,510,000	3,215,000
Qualified School Bonds, Series 2007A Issued 2/23/2007 for \$17,050,000 Maturing annually from 2008 to 2027 Bearing interest rates of 4-4.25%	13,945,000	-	695,000	13,250,000	725,000
	-	-	-	-	-
	<u>\$ 64,445,000</u>	<u>\$ -</u>	<u>\$ 9,225,000</u>	<u>\$ 55,220,000</u>	<u>\$ 7,945,000</u>

Water Serial Bonds Payable

The City has outstanding at December 31, 2013 various water serial bond debt issues. The following table is a summary of the activity for such debt during the year then ended and the short term liability for each issue:

Summary of Water Serial Bonds Activity					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Qualified Water Refunding Bonds, Series 2004C Issued 10/15/2004 for \$15,050,000 Maturing annually from 2005 to 2018 Bearing interest rates of 3-5.25%	\$ 6,720,000	\$ -	\$ 5,700,000	\$ 1,020,000	\$ 1,020,000
Qualified Water Refunding Bonds, Series 2004C Issued 10/15/2004 for \$15,125,000 Maturing annually from 2005 to 2021 Bearing interest rates of 3-5.25%	8,210,000	-	7,355,000	855,000	855,000

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

Water Serial Bonds Payable - continued

Summary of Water Serial Bonds Activity - continued					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Qualified Water Refunding Bonds, Series 2006D Issued 9/1/2005 for \$6,660,000 Maturing annually from 2016 to 2022 Bearing interest rates of 4.1-4.125%	6,660,000	-	-	6,660,000	-
Qualified Water Improvement Bonds, Series 2006B Issued 11/2/2006 for \$5,000,000 Maturing annually from 2007 to 2021 Bearing interest rates of 4.125-4.25%	3,345,000	-	315,000	3,030,000	330,000
Qualified Water Refunding Bonds, Series 2007B Issued 4/25/2007 for \$10,930,000 Maturing annually from 2010 to 2023 and 2033 Bearing interest rates of 4-5%	6,270,000	-	1,485,000	4,785,000	755,000
Qualified Water Improvement Refunding Bonds, Series 2011B Issued 12/30/2011 for \$1,987,000 Maturing annually: 2012-2019, 2022, 2024-2028; semiannually 2014 Bearing interest rates of 1.75-4.00%	1,955,000	-	15,000	1,940,000	15,000
Qualified Water Improvement Refunding Bonds, Series 2012B Issued 9/6/12 for \$4,265,000 To refund Water Capital Improvement Bonds dated 3/1/2003 and Qualified Water Improvement Bonds dated 5/15/2005 Maturing annually: 2013-2024 Bearing interest rates of 2.75-4.00%	4,265,000	-	30,000	4,235,000	20,000
Qualified Water Improvement Refunding Bonds, Series 2013B Issued 3/20/2013 for \$12,050,000 To refund Qualified Water Refunding Bonds dated 10/15/2005 Maturing annually: 2014-2021 Bearing interest rates of 0.942-3.055%	-	12,050,000	125,000	11,925,000	260,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,425,000</u>	<u>\$ 12,050,000</u>	<u>\$ 15,025,000</u>	<u>\$ 34,450,000</u>	<u>\$ 3,255,000</u>
Refunded		<u>11,155,000</u>	<u>11,155,000</u>		
Increase and Decrease Net of Refunding		<u>\$ 895,000</u>	<u>\$ 3,870,000</u>		

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

Pension Refunding Bonds Payable

The City has outstanding at December 31, 2013 various pension refunding bond debt issues. The following table is a summary of the activity for such debt during the year then ended and the short term liability for each issue:

Summary of Pension Refunding Bonds Activity					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Pension Obligation Refunding Bonds Series 2003A, Taxable Issued 1/15/2003 for \$23,595,000 Maturing annually from 2012 to 2024 Bearing interest rates of 4.8-5.5%	\$ 21,955,000	\$ -	\$ 720,000	\$ 21,235,000	\$ 870,000
Pension Obligation Refunding Bonds Series 2003A, Taxable Issued 3/15/2003 for \$17,465,000 Maturing annually from 2012 to 2033 Bearing interest rates of 4.58-5.46%	17,440,000	-	60,000	17,380,000	110,000
Pension Obligation Refunding Bonds Series 2006, Taxable Issued 3/22/2006 for \$3,345,000 Maturing in one lump sum in 2018 Bearing an interest rate of 5.51%	3,345,000	-	-	3,345,000	-
	-	-	-	-	-
	<u>\$ 42,740,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>	<u>\$ 41,960,000</u>	<u>\$ 980,000</u>

NOTE D. MUNICIPAL DEBT (continued)

LOANS PAYABLE

Green Trust Loans

The City has outstanding at December 31, 2013 various Green Trust Loans. The following table is a summary of the activity for such loans during the year then ended and the short term liability for each:

Summary of Green Trust Loans Activity					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Wayne Street Park Loan Received 7/29/1998 - \$142,000 Due semi-annually until 2018 Bearing an interest rate of 2%	\$ 46,758	\$ -	\$ 8,125	\$ 38,633	\$ 8,289
Apple Tree House Loan Received 7/07/2004 - \$235,894 Due semi-annually until 2024 Bearing an interest rate of 2%	150,030	-	11,726	138,304	11,962
Sgt. Anthony's Park Project Loan Received 7/08/2005 - \$145,000 Due semi-annually until 2025 Bearing an interest rate of 2%	99,286	-	7,066	92,220	7,208
Roberto Clemente Park Project Loan Received 7/08/2005 - \$284,000 Due semi-annually until 2025 Bearing an interest rate of 2%	194,464	-	13,839	180,625	14,118
Marion Pavonia Pool Project Loan Received 7/08/2005 - \$425,000 Due semi-annually until 2025 Bearing an interest rate of 2%	291,011	-	20,711	270,300	21,127
Multi-Park Loan Received 6/30/2009 - \$615,000 Due semi-annually until 2028 Bearing an interest rate of 2%	521,432	-	27,953	493,479	28,515
Montgomery Gateway Loan Received 6/30/2009 - \$50,000 Due semi-annually until 2028 Bearing an interest rate of 2%	42,393	-	2,273	40,120	2,318
Berry Lane Park Loan Received 6/30/2010 - \$130,000 Due semi-annually until 2029 Bearing an interest rate of 2%	113,132	-	5,851	107,281	5,968
	-	-	-	-	-
	<u>\$ 1,458,506</u>	<u>\$ -</u>	<u>\$ 97,544</u>	<u>\$ 1,360,962</u>	<u>\$ 99,505</u>

NOTE D. MUNICIPAL DEBT (continued)

LOANS PAYABLE – (continued)

Pooled Loan with Hudson County Improvement Authority

The City has outstanding at December 31, 2013 a pooled loan with the Hudson County Improvement Authority. The following table is a summary of the activity for the loan during the year then ended and the short term liability:

Summary of HCIA Pooled Loan Activity					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Fire Apparatus and Related Equipment					
Received 8/1/2007 - \$3,250,000					
Due annually until 2015					
Bearing variable interest rates	\$ 1,083,334	\$ -	\$ 361,111	\$ 722,223	\$ 361,111

The fire apparatus purchased with this loan is recorded in the General Fixed Assets account group as an asset in the machinery and equipment class.

DEBT SERVICE REQUIREMENTS TO MATURITY

The repayment schedule of annual debt service principal and interest for the next five years, and five-year increments there-after, for bonds issued and outstanding is as follows:

Schedule of Debt Service Requirements to Maturity - Bonds Issued and Outstanding Combined Principal and Interest as of December 31, 2013					
Year	Total	General Serial Bonds	Pension Refunding	School Serial Bonds	Water Serial Bonds
2014	\$ 62,000,528	\$ 43,904,133	\$ 3,251,289	\$ 10,483,806	\$ 4,361,300
2015	61,012,485	43,962,716	3,417,068	10,129,675	3,503,026
2016	67,901,308	46,907,968	3,550,741	13,540,934	3,901,665
2017	63,039,885	46,770,697	3,711,710	7,254,528	5,302,950
2018	63,566,217	45,226,954	7,233,435	5,742,688	5,363,140
2019-2023	261,977,931	212,459,523	21,053,172	13,941,944	14,523,292
2024-2028	82,351,942	63,941,923	10,773,266	4,939,928	2,696,825
2029-2033	49,081,747	35,201,064	11,474,777	-	2,405,906
2034-2038	30,006,888	30,006,888	-	-	-
2039-2040	11,978,541	11,978,541	-	-	-
	<u>\$ 752,917,472</u>	<u>\$ 580,360,407</u>	<u>\$ 64,465,458</u>	<u>\$ 66,033,503</u>	<u>\$ 42,058,104</u>

NOTE D. MUNICIPAL DEBT (continued)

DEBT SERVICE REQUIREMENTS TO MATURITY

The repayment schedule of annual debt service principal and interest for the next five years, and five-year increments there-after, for loans issued and outstanding is as follows:

Schedule of Debt Service Requirements to Maturity - Loans Outstanding Combined Principal and Interest as of December 31, 2013			
Year	Total	Green Trust Loans	HCIA Pooled Loan
2014	\$ 525,429	\$ 126,229	\$ 399,200
2015	525,421	126,229	399,192
2016	126,229	126,229	-
2017	126,229	126,229	-
2018	121,719	121,719	-
2019-2023	586,043	586,043	-
2024-2028	334,169	334,169	-
2029	4,042	4,042	-
	<u>\$ 2,349,281</u>	<u>\$ 1,550,889</u>	<u>\$ 798,392</u>

NOTES PAYABLE

Bond Anticipation Notes

The City issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes may be paid no later than the close of the tenth fiscal year next following the date of the original notes.

The Division also prescribes that notes cannot be renewed past the third anniversary date of the original note unless an amount equal to at least the first legally required installment is paid prior to each anniversary date.

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE (continued)

Bond Anticipation Notes - continued

The following is a schedule of bond anticipation note activity for the year ended December 31, 2013.

ACTIVITY OF BOND ANTICIPATION NOTES										
Ordinance Number	Original Issue		Balance at December 31, 2012			New Notes Issued	Paid by Budget Appropriation	Balance at December 31, 2013		
	Date	Amount	Interest Rate	Maturity Date	Amount			Amount	Interest Rate	Maturity Date
PJP Landfill Acquisition and Newark Avenue Streetscape										
09-097/097A & 09-127/127A	1/20/2010	\$ 11,176,000	1.125%	12/30/2013	\$ 11,176,000	\$ -	\$ 242,000	\$ 10,934,000	1.000%	12/10/2014
Sixth Street Embankment										
10-085/085A	8/31/2010	7,500,000	1.500%	8/7/2013	7,500,000	-	95,000	7,405,000	2.000%	7/25/2014
Hurricane Sandy Recovery - Capital Items										
13.031	12/12/2013	10,000,000	n/a	n/a	-	10,000,000	-	10,000,000	2.000%	12/12/2014
					\$ 18,676,000	\$ 10,000,000	\$ 337,000	\$ 28,339,000		

Landfill and Streetscape – On January 20, 2010, the City issued Bond Anticipation Notes in the amount of \$11,176,000 to fund two separate authorizations: the acquisition of the PJP Landfill for \$8,700,000 and the Newark Ave Streetscape for \$2,476,000.

Sixth Street Embankment – On August 31, 2010, the City issued Bond Anticipation Notes in the amount of \$7,500,000 to fund costs to obtain the property known as the Sixth Street in accordance with a legal settlement of January, 2010.

Hurricane Sandy Recovery – On December 12, 2013, the City issued Bond Anticipation Notes in the amount of \$10,000,000 to fund costs associated with efforts to recover, repair or replace streets, roads and other public property lost or damaged in Hurricane Sandy.

Tax Refunding Notes

The City issues tax refunding notes in order to finance tax refunds arising from successful appeals by property owners. Taxpayers are obligated to pay taxes owed to the City as they become due, or have their property subject to tax sale. However, taxpayers may appeal their property assessments and, if successful, be granted a refund, often in a year subsequent to when the taxes were paid. The Division has allowed the City to issue notes to finance such refunds. The tax refunding notes are one year notes, renewable annually for five to seven years.

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE (continued)

Tax Refunding Notes - continued

The following is a schedule of tax refunding note activity for the year ended December 31, 2013.

<u>ACTIVITY OF TAX APPEAL REFUNDING NOTES</u>										
Ordinance Number	Original Issue		Balance at December 31, 2012			New Notes Issued	Paid by Budget Appropriation	Balance at December 31, 2013		
	Date	Amount	Interest Rate	Maturity Date	Amount			Interest Rate	Maturity Date	
Real Property Tax Appeal Refunding Notes										
09-028	6/25/2009	\$ 11,471,819	2.000%	4/18/2013	\$ 6,555,326	\$ -	\$ 1,638,906	\$ 4,916,420	1.250%	4/17/2014
10-031	4/20/2010	7,201,450	2.000%	4/18/2013	4,320,870	-	1,440,290	2,880,580	1.250%	4/17/2014
11-116	12/14/2011	5,500,000	1.500%	12/13/2013	4,400,000	-	1,100,000	3,300,000	2.000%	12/12/2014
					<u>\$ 15,276,196</u>	<u>\$ -</u>	<u>\$ 4,179,196</u>	<u>\$ 11,097,000</u>		

Special Emergency Notes

Statutes allow the City to adopt ordinances authorizing special emergency appropriations for the carrying out of certain specific purposes, including the revaluation of real property and contractually required severance liabilities resulting from the layoff or retirement of employees. Statutes further provide for the borrowing of money and the issuance of Special Emergency Notes to finance such special emergency appropriations, which may be renewed from time to time, but at least 1/5 of all such notes, and the renewals thereof, shall mature and be paid in each year, so that all notes and renewals shall have matured and have been paid not later than the last day of the fifth year following the date of the emergency resolution. The following is a schedule of special emergency note activity for the year ended December 31, 2013.

ACTIVITY OF SPECIAL EMERGENCY NOTES										
Ord. / Reso. Number	Original Issue		Balance at December 31, 2012			New Notes Issued	Paid by Budget Appropriation	Balance at December 31, 2013		
	Date	Amount	Interest Rate	Maturity Date	Amount			Amount	Interest Rate	Maturity Date
Contractual Severance Payments										
Ord. 10-141	12/31/2010	\$ 9,300,000	1.500%	12/13/2013	\$ 5,580,000	\$ -	\$ 1,860,000	\$ 3,720,000	2.000%	12/12/2014
Ord. 11-124	12/14/2011	9,500,000	1.500%	12/13/2013	7,600,000	-	1,900,000	5,700,000	2.000%	12/12/2014
Ord. 13-118	12/12/2013	9,500,000	n/a	n/a	-	9,500,000	-	9,500,000	2.000%	12/12/2014
Revaluation of Properties										
Ord. 11-043	6/23/2011	3,150,000	2.000%	4/18/2013	2,520,000	-	630,000	1,890,000	1.250%	4/17/2014
Superstorm Sandy										
Reso. 12-842	12/28/2012	5,965,000	2.000%	12/13/2013	5,965,000	-	1,193,000	4,772,000	2.000%	12/12/2014
					\$ 21,665,000	\$ 9,500,000	\$ 5,583,000	\$ 25,582,000		

NOTE D. MUNICIPAL DEBT (continued)

CITY-GUARANTEE OF OTHER PUBLIC BODY DEBT

The City has adopted various ordinances over the years guaranteeing the payment of principal and interest on debt issues of the Jersey City Municipal Utilities Authority (MUA), for the purpose of providing additional security therefor. The amount of debt guaranteed by the City on behalf of the MUA as of December 31, 2013 and 2012 was \$206,156,132 and \$220,200,627, respectively.

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2013 and 2012, the City has authorized but not issued bonds and notes of \$54,698,386 and \$54,298,386, respectively, in the General Capital Fund.

The following activity relates to bonds and notes authorized but not issued that occurred during the year ended December 31, 2013:

<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Debt</u> <u>Authorized</u>	<u>Notes</u> <u>Issued</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
<u>\$ 54,298,386</u>	<u>\$ 10,400,000</u>	<u>\$ 10,000,000</u>	<u>\$ 54,698,386</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 61,436,027	\$ 61,436,027	\$ -
General Debt	<u>790,870,626</u>	<u>315,130,660</u>	<u>475,739,966</u>
	<u>\$ 852,306,653</u>	<u>\$ 376,566,687</u>	<u>\$ 475,739,966</u>

Net Debt of \$475,739,966 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$18,281,741,773 = 2.60%.

Equalized valuation basis is the average of the equalized valuations of real estate, including improvements, and the assessed valuation of class II Railroad Property of the County for the last 3 preceding years.

NOTE D. MUNICIPAL DEBT (continued)**BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED**

3 1/2 % of Equalized Valuation Basis	\$ 639,860,962
Net Debt	<u>475,739,966</u>
Excess Borrowing Power	<u><u>\$ 164,120,996</u></u>

NOTE E. FUND BALANCES APPROPRIATED

Fund balance of the City consists of cash surplus and non-cash surplus. The City can anticipate fund balance to support its budget of the succeeding year, however, the use of non-cash surplus is subject to the prior written consent of the Division. Fund balances at December 31, 2013 and 2012 which were appropriated and included as anticipated revenue in the current fund budget of the succeeding year were as follows:

	<u>Fund Balance Dec. 31, 2012</u>	<u>Utilized in 2013 Budget</u>	<u>Fund Balance Dec. 31, 2013</u>	<u>Utilized in 2014 Budget</u>
Current Fund	\$ 33,530,567	\$ 16,707,232	\$ 38,733,517	\$ 16,413,000 *
Capital Fund	3,232,175	-	3,495,398	-
Assessment Trust Fund	36,093	36,093	-	-

* Per budget amendment resolution of September 10, 2014.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

Substantially all City employees participate in the Consolidated Police and Fireman's Pension Fund (CPFPPF), Public Employees Retirement System (PERS), Police and Fireman's Retirement System of New Jersey (PFRS) or the Defined Contribution Retirement Program (DCRP), all of which are multiple employer plans sponsored and administered by the State of New Jersey, with the exception of the CPFPPF, which is a single employer plan. The CPFPPF, PERS and PFRS are cost sharing contributory defined benefit public employee retirement systems. The DCRP is a defined contribution plan.

In addition, certain employees participate in the Employees' Retirement System of the City of Jersey City (JCERS) and the City's Deferred Compensation Plan.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – CPFPPF

The Consolidated Police and Fireman's Pension Fund (CPFPPF) is a single employer contributory defined benefit plan which was established on January 1, 1952, under the provisions of N.J.S.A. 43:16 to provide retirement, death and disability benefits to county and municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. The City currently only makes contributions for its retirees who are enrolled in this pension fund.

STATE-MANAGED PENSION PLANS - PERS

The PERS was established in January, 1955 under provisions of N.J.S.A. 43:15A and provides retirement, death, disability and post-retirement medical benefits to certain qualifying Plan members and beneficiaries. Membership is mandatory to substantially all full time employees and vesting occurs after 8 to 10 years of service for pension benefits. Significant modifications to enrollment, benefits and eligibility for benefits under the plan were made in 2007, 2008, 2010 and 2011. These changes resulted in various “tiers” which distinguish period of eligibility for enrollment. The delineation of these tiers is as follows:

- Tier 1: Employees enrolled before July 1, 2007.
- Tier 2: Employees eligible for enrollment after June 30, 2007 but before November 2, 2008.
- Tier 3: Employees eligible for enrollment after November 1, 2008 but before May 22, 2010.
- Tier 4: Employees eligible for enrollment after May 21, 2010 but before June 28, 2011.
- Tier 5: Employees eligible for enrollment after June 27, 2011.

Tier 1 and 2 employees must earn a base salary of \$1,500 or more to enroll in the plan. Pensionable salaries are limited to the IRS maximum salary compensation limits for Tier 1 employees and social security maximum wage for Tier 2 employees. Tier 2 employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Tier 1 and 2 employees who retire at or after age 60 are entitled to a retirement benefit determined by the formula “years of service” divided by 55 times the average of the highest three years salary.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Tier 3 employees must earn a base salary that is annually adjusted. As of the years ended December 31, 2013 and 2012, this base salary amount was \$8,000 and \$7,800, respectively. Employees earning between \$5,000 and the Tier 3 minimum base salary are eligible for participation in DCRP. Pensionable salaries are limited to the social security maximum wage. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Employees who retire at or after age 62 are entitled to a retirement benefit determined by the formula “years of service” divided by 55 times the average of the highest three years salary.

Tier 4 and 5 employees do not have a minimum salary requirement to enroll, but must work a minimum of 32 hours per week. Employees not meeting the minimum hour requirement but that make over \$5,000 are eligible to enroll in DCRP. Pensionable salaries are limited to the social security maximum wage. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Employees who retire at the minimum age; 62 and 65 for Tier 4 and Tier 5, respectively, are entitled to a retirement benefit determined by the formula “years of service” divided by 60 times the average of the highest five years salary.

Each of the 5 Tiers have eligibility requirements and benefit calculations which vary for deferred retirements, early retirements, veteran retirements, ordinary disability retirements and accidental disability retirements. There is no minimum service requirement to receive the pension benefits outlined above. However, in order to receive state-paid insurance coverage, at least 25 years of service is required for employees in Tiers 1 through 4 and 30 years of service for Tier 5 employees.

STATE-MANAGED PENSION PLANS - PFRS

The PFRS was established in July, 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firefighters and state police appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. Significant modifications to enrollment, benefits and eligibility for benefits under the plan were made in 2010 and 2011. These changes resulted in various “tiers” which distinguish period of eligibility for enrollment. The delineation of these tiers is noted below:

- Tier 1: Employees enrolled before May 22, 2010.
- Tier 2: Employees enrolled after May 21, 2010 but before June 29, 2011.
- Tier 3: Employees enrolled after June 28, 2011.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Tier 1, 2 and 3 employees do not have a minimum salary requirement to enroll. Pensionable salaries are limited to the social security maximum wage for Tier 2 and 3 employees and ‘federal pensionable maximum’ for Tier 1 employees. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Employees who retire either at or after the age of 55 are entitled to a retirement benefit dependent on years of service. In addition, Tier 1 employees can retire with 20 years of service with no minimum age requirement.

If the employee retires with less than 20 years of service, the benefit is calculated as 2% times the “final compensation”* times years of service. If the employee retires with more than 20 but less than 25 years of service, the benefit is calculated as 50% of “final compensation”*. If the employee retires with more than 25 but less than 30 years of service, the benefit is calculated as 60% of the “final compensation”* salary plus 1% times “final compensation”* for each year between 25 and 30. If the employee retires with at least 30 years of service, the benefit is calculated as 2% times the “final compensation”* times years of service plus 1% of “final compensation”* for each year over 30. In addition, if a Tier 1 employee retires at age 65 with 20 or more years of service, the benefit is calculated as 50% of the “final compensation”* plus 3% of the “final compensation”* times the number of years served over 20, to a maximum of 25.

***Note:** “Final Compensation” refers to the final 12 months of pensionable salary for Tier 1 employees and the average of the highest three years of pensionable salary for Tier 2 and 3 employees.

STATE-MANAGED PENSION PLANS - GENERAL

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local government employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increases for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – GENERAL (continued)

According to state statutes, all obligations of PERS and PFRS will be assumed by the State of New Jersey should the PERS and PFRS be terminated.

The State of New Jersey issues publicly available financial reports that include the financial statements and required supplementary information of the PERS and PFRS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

STATE-MANAGED PENSION PLANS - CONTRIBUTIONS

The contribution policy for PFRS and PERS is set by laws of the State of New Jersey, and requires contributions by active members and their employers. Plan member and employer contributions may be amended by legislation of the State of New Jersey. Contributions made by employees for the previous three years are as follows:

Summary of Employee Contributions					
Year Ended	As a Percentage of Base Wages			Amount	
	PFRS		PERS	PFRS	PERS
Dec. 31, 2013	10.00%	(1)	6.78%	\$ 13,487,904	\$ 1,086,804
Dec. 31, 2012	10.00%	(2)	6.64%	13,499,797	1,065,309
Dec. 31, 2011	10.00%	(3)	6.50%	11,572,440	1,029,602

- (1) 2013 rate for PERS was 6.64% until July 1, 2013, after which the rate noted above took effect.
- (2) 2012 rate for PERS was 6.5% until the first payroll in July, 2012, after which the rate noted above took effect.
- (3) 2011 rates for PFRS and PERS were 8.5% and 5.5%, respectively, until the first payroll in October, 2011, after which the rates noted above took effect.

Employers are required to contribute at an actuarially determined rate in both systems. During the previous three years, the City made the following contributions:

Year Ended	City PFRS Contribution		City PERS Contribution		City CPFPF Contribution	
	Amount Paid or Charged	As a Percentage of Covered Payroll	Amount Paid or Charged	As a Percentage of Covered Payroll	Amount Paid or Charged	As a Percentage of Covered Payroll
Dec. 31, 2013	\$ 34,982,452	25.9%	\$ 2,473,583	15.3%	\$ 107,170	n/a
Dec. 31, 2012	33,334,617	24.7%	2,522,591	15.6%	167,303	n/a
Dec. 31, 2011	39,353,907	30.2%	2,533,330	14.1%	128,540	n/a

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PENSION DEFERRAL

Legislation, known as Chapter 19 of the Public Laws of 2009 (P.L. 2009, c. 19), was enacted and effective on March 17, 2009 allowing for an adjustment in the contributions that local employers, such as the City, must make to the PERS and PFRS during the year ended June 30, 2009. Under this legislation, local governments were given the option to defer exactly 50% of their required pension contribution as certified by the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits or pay the full amount of the required contribution for the year ended June 30, 2009.

The City elected the 50% deferral, totaling \$14,826,590, consisting of \$14,129,001 for PFRS and \$697,589 for PERS. Under the terms of the pension deferral the City is obligated to commence repayment of the entire deferral in 15 amortized annual installments, commencing April 1, 2012 and ending April 1, 2026. These payments will be added to the regular pension bills. The short term liability of the deferral, payable on April 1, 2014 is \$2,183,540, consisting of \$104,020 in deferred PERS payments and \$2,079,520 in deferred PFRS payments.

DEFINED CONTRIBUTION RETIREMENT PROGRAM

The DCRP was established under the provisions of P.L. 2007, Chapters 92 and 103 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. It provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Individuals eligible for membership in the DCRP include (a) state or local officials elected or appointed to new office on or after July 1, 2007, (b) employees enrolled in PERS on or after July 1, 2007 or PFRS after May 21, 2010 who earn salary in excess of established maximum compensation limit and (c) employees otherwise eligible for PERS on or after November 2, 2008 or PFRS after May 21, 2010 that earn below the minimum PERS or PFRS salary but more than \$5,000 annually.

Vesting occurs upon commencement of the third year of membership. Should the vesting period not be reached, contributions will be refunded to the appropriate contributing parties. Employer matching contributions and earnings are only available after the age of 55. Distributions render the member retired and ineligible for future participation in any State-administered plans. Otherwise, distributions are available at any time as lump sum, fixed term or life annuity.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM (continued)

Members are covered by employer-paid life insurance in the amount of 1 ½ times the annual base salary on which DCRP contributions were based. Members are also eligible for employer-paid long-term disability coverage after one year of participation. Eligibility occurs after six consecutive months of total disability. Members would receive a regular monthly income benefit up to 60% of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability, offset by any other periodic benefit the member may be receiving. Benefits will be paid until the age of 70 so long as the member remains disabled and has not begun receiving retirement annuity payments.

The following table represents the City and employee contributions during the previous three years:

Year Ended Dec. 31,	Number of Employees	<u>Employee Contributions</u>		<u>City Contributions</u>	
		Amount	As a Percentage of Base Payroll	Amount	As a Percentage of Base Payroll
2013	5	\$ 17,144	5.50%	\$ 9,351	3.00%
2012	2	3,064	5.50%	1,671	3.00%
2011	0	-	n/a	-	n/a

EMPLOYEES' RETIREMENT SYSTEM OF JERSEY CITY

The Employees' Retirement System of Jersey City (JCERS) became effective February 22, 1965, under N.J.S.A. 43:13-22.50, et seq. Legislation was approved amending the JCERS on May 9, 1990, effective June 1, 1990 and August 19, 1996 to revise the retirement and survivorship benefits payable to retirees and beneficiaries. Legislation in 2003 (Chapter 167, P.L. 2003) increased retirement allowances to 100% of CPI increases, replacing the previous 60%. Finally, Chapter 247, P.L. 2005 decreased the early retirement factor from 2/12 of 1% to 1/12 of 1% per month for retirees prior to the age of 60. The following plan description reflects these amendments. Under Chapter 282, P.L. 2013, legislation amends Section 43:13-22.73 to decrease retirants' Cost of Living Adjustments from 100% to 50% of the percentum of change in the Department of Labor's Consumer Price Index.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

EMPLOYEES' RETIREMENT SYSTEM OF JERSEY CITY

The Plan is a defined benefit pension plan covering certain employees of the City. Employees who were members of the former pension system (other than police, fire and Board of Education employees) hired after February 22, 1965, and under age 40 at the date of employment must become members of the Plan. In addition, temporary employees hired after October 7, 1984, with one year's continuous service, and under age 40 at the date of employment, must also become members of the Plan. Employees of the City who are not eligible to become members of the Plan are covered under the Public Employees' Retirement System which is managed by the State of New Jersey.

Each member, on the effective date of the system, is required to contribute 6% to 8.5% of gross payroll. The contribution percentage varies with the member's age at the time of appointment. Each active member, who became a member after the effective date of the Plan, is required to contribute from 6.2% to 10.15% of their salary. The contribution percentage varies with the member's age on the date of entry to the Plan.

The contributions of the City consist of a normal contribution of current costs which equates to the present value of benefits to be accrued in the year following the valuation converted to a percentage of the annual salaries of all active members and, until the unfunded accrued liability is liquidated, an additional amount known as the accrued liability contribution which is an amount, increasing 4% per year, that will pay off the unfunded accrued liability over a period of 30 years.

The City's contribution to the JCERS for the year ended December 31, 2013 and 2012 was \$8,413,998 and \$8,090,382, respectively.

The JCERS has an actuarial valuation performed bi-annually as required by GASB. The most recent actuarial valuation was dated June 9, 2014. It shows the financial condition of the JCERS as of January 1, 2014 and gives a basis for determining the contributions payable by the City. Per the actuarial valuation, the City's Annual Required Contribution and Net Pension Obligation are as follows:

<u>As of Dec. 31,</u>	<u>Net Pension Obligation</u>	<u>Annual Required Contribution</u>
2013	\$ 5,568,492	\$ 4,043,704
2014	4,463,777	6,257,322

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

EMPLOYEES' RETIREMENT SYSTEM OF JERSEY CITY (continued)

The actuarial valuation also recommended the following contributions for payment by the City on the basis of covered payroll:

<u>Calendar Year</u>	<u>Actuarially Recommended Contributions</u>	<u>Covered Payroll*</u>
2014	\$ 7,483,003	\$ 30,901,289
2015	7,782,323	32,137,341

* Covered payroll is based on salaries of members as of January 1, 2014 and estimated salaries as of January 1, 2015.

The actuarial accrued liability of the JCERS was determined to be \$181,127,897, of which \$106,713,789 is for the accrued benefits payable on account of present retired members. \$80,838,623 of the actuarial accrued liability is unfunded.

The JCERS issues publicly available financial reports that include the financial statements and required supplementary information of the system. The financial report may be obtained by writing to the City Clerk, City of Jersey City, 280 Grove Street, Jersey City, NJ 07302.

DEFERRED COMPENSATION PLAN (unaudited)

The City has established a deferred compensation program for its employees under Section 457 of the Internal Revenue Code. The deferred compensation program is a Public Employees' Deferred Compensation Plan, covering employees and elected officials who perform services for the City. The plan is underwritten by Prudential Insurance Company.

The Plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salaries, before federal taxes, to a retirement account. Contributions, or deferrals, are made through payroll deductions. Individuals are 100% vested. Distributions are not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the individual contributors and are not subject to the claims of the City's general creditors.

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFERRED COMPENSATION PLAN (unaudited) – (continued)

Assets of the plans are invested in various mutual funds at the discretion of the participants. During the year ended December 31, 2013 and 2012, the plan had the following activity:

	<u>2013</u>	<u>2012</u>
Value of Plan Assets, Beginning	\$ 137,458,591	\$ 126,108,476
Contributions	7,127,812	7,230,243
Interest and Dividends	891,427	1,003,302
Appreciation (Depreciation) of Plan Assets	18,428,680	9,030,025
Distributions and Benefit Payments	(7,848,235)	(5,978,954)
Fees and Other	<u>(63,965)</u>	<u>65,499</u>
Value of Plan Assets, Ending	<u>\$ 155,994,310</u>	<u>\$ 137,458,591</u>

NOTE G. POST-EMPLOYMENT BENEFITS

Plan Description

The City provides eligible retirees with medical, prescription drug, and life insurance benefits. Retirees who do not meet eligibility requirements for 100% City paid coverage but meet the eligibility requirements for 100% employee paid coverage can continue coverage by paying premiums established by the City.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The high cost excise tax ("Cadillac tax") provisions of the Act are applicable. Additionally, on June 28, 2011 P.L. 2011 c. 78 (Chapter 78) was enacted. Chapter 78 contained many changes to the retirement and healthcare plans offered to employees and retirees of New Jersey State and Local government. Among these changes was the requirement for certain retirees to pay a varying portion of postretirement healthcare costs.

For 2013, two medical plans are offered to eligible retirees and their dependents: a Traditional plan and a Direct Access plan. These plans are self-insured through Horizon Blue Cross. Future retirees are only eligible for the Direct Access plan.

Prescription drug benefits are provided to eligible retirees and their dependents at varying co-pays.

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

Plan Description – continued

Retirees of the Jersey City Police Officers Benevolent Association, Jersey City Police Superior Officers Association, Uniformed Fire Fighters Association of Jersey City and Jersey City Uniformed Fire Officers Associations receive life insurance or death benefits ranging from \$1,500 to \$5,000 dependent on retirement date. Employees other than Police and Firemen have no postemployment death benefits paid by Jersey City.

Dental and Vision benefits are available to eligible retirees and their dependents. Retirees are required to pay 100% of cost of these plans.

Medical benefits coordinate with Medicare and retirees and their dependents are required to participate in Medicare A and B upon eligibility for these programs. Retirees, dependents, and surviving spouses are reimbursed the Part B premium by the City.

Eligible dependents of retirees are provided medical and prescription drug benefits for their lifetime.

The number of retirees receiving benefits as of January 1, 2013, the effective date of the biannual Other Post-Employment Benefit, herein referred to as “OPEB”, valuation is 2,119. Active employees number 2,197 as of the same valuation date.

Eligibility

The above benefits are available for employees who retire under the following conditions:

- After twenty-five years of service in PFRS or PERS
- Upon disability retirement from PFRS, service requirements of four years for ordinary disability and none for accidental disability
- Upon disability retirement from PERS, service requirements of ten years for ordinary disability and none for accidental disability
- Upon disability from JCERS, service requirements of five years for ordinary disability and none for accidental disability

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

Funding Policy

Current retirees, dependents and survivors are not required to contribute toward the cost of the postretirement medical and prescription drug coverage. All costs are paid 100% by the City. Any employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS or PFRS as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits. The retiree contributions are based on a percentage of the postretirement healthcare cost. The contribution percentages, which are phased-in over a four-year period, vary based on healthcare coverage tier and amount of PERS or PFRS pension amounts. Retired Police and Firefighters are not required to contribute toward the cost of post retirement life insurance benefits.

The City currently accounts for these post retirement benefits on a pay-as-you-go basis. During the years ended December 31, 2013 and 2012, the City paid \$17,168,222 and \$16,497,567, respectively, for post-employment benefits. The City receives additional funding from the Early Retirement Reinsurance Program (ERRP) which is budgeted as a reduction to retiree health insurance costs.

Actuarial Valuation Results

The Actuarial Accrued Liability for current retirees is \$680,715,915, and for current active employees is \$978,613,911, for a total accrued liability (unfunded) of \$1,659,329,826 as of January 1, 2013, the date of the most recent valuation.

Summary of Valuation Results - January 1, 2013 (most recent valuation available) - Per Actuarial Valuation			
	Civilian	Police and Fire	TOTAL
Actuarial Accrued Liability			
Retirees	\$ 99,302,117	\$ 581,413,798	\$ 680,715,915
Active Employees	125,469,332	425,384,471	550,853,803
Unfunded Actuarial Accrued Liability	<u>\$ 224,771,449</u>	<u>\$ 1,006,798,269</u>	<u>\$ 1,231,569,718</u>
Discount Rate			4.50%
Normal Cost			\$ 35,681,470

For the year ended December 31, 2013, the City's Annual OPEB cost is projected to be \$107,569,816 and its Annual Required Contribution \$112,895,101. After taking into consideration the City contribution, as determined by the actuarial valuation, of \$31,036,957, the Net OPEB Obligation is projected to increase \$76,532,859 during the year ended December 31, 2013, resulting in a Net OPEB Obligation of \$401,412,859.

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

Actuarial Valuation Results - continued

The following table utilizes the actuarially determined contribution for the year ended December 31, 2013 as opposed to actual payments. Differences between the actual expenditures and the actuarial contributions include discounts, deductibles, co-payments, and actuarial factors identified under the ‘actuarial assumptions and methods’ section that follows.

Level Dollar Amortization			
Calculation of Annual Required Contribution under Projected Unit Cost Method			
	Year Ended December, 31, 2012		
	Civilian	Police and Fire	Dec. 31, 2012
Normal Cost with Interest	\$ 7,346,134	\$ 29,941,002	\$ 37,287,136
Amortization of Unfunded Actuarial Liability over 30 Years	13,799,066	61,808,899	75,607,965
Annual Required Contribution	21,145,200	91,749,901	112,895,101
Interest on Net OPEB Obligation	2,668,195	11,951,405	14,619,600
Adjustments to the Annual Required Contribution	(3,640,103)	(16,304,782)	-
Annual OPEB Cost	20,173,292	87,396,524	107,569,816
Contributions	(4,792,771)	(26,244,186)	(31,036,957)
Net OPEB Obligation, Beginning of Year	59,293,231	265,586,769	324,880,000
Net OPEB Obligation, End of Year	<u>\$ 74,673,752</u>	<u>\$ 326,739,107</u>	<u>\$ 401,412,859</u>

Under GASB criteria, the City would recognize the cost of other post-employment benefits in the year when the employee services are received, report the accumulated liability from prior years, and provide information useful in assessing potential demands on the City’s future cash flows. However, since the City is using the modified accrual basis of accounting as prescribed by the Division, the City is not required to show any accrued liability on the face of its financial statements, only to the notes to those financial statements.

The actuarial valuation projected cash costs totaling \$1,885,619,825 through the year 2038 for current and future retiree medical benefits as follows:

Retiree 25-year Expected Cash Payout per Valuation Report					
Year	Amount	Year	Amount	Year	Amount
2013	\$ 31,036,957	2022	\$ 62,003,072	2031	\$ 90,204,148
2014	34,327,354	2023	65,166,613	2032	94,774,596
2015	37,368,905	2024	68,072,916	2033	98,964,218
2016	40,114,982	2025	70,997,162	2034	102,377,719
2017	43,002,301	2026	73,533,557	2035	105,341,605
2018	47,189,755	2027	75,865,305	2036	108,190,654
2019	50,750,539	2028	78,332,596	2037	111,875,052
2020	54,856,643	2029	81,556,937	2038	115,561,400
2021	58,835,759	2030	85,319,080		

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions and Methods

The actuarial assumptions used to value the City's post-employment benefits are of three types, economic, medical benefit and demographic.

Economic Assumptions - The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The actuarial valuation assumes the City will continue to pay for benefits on a pay-as-you-go basis and continue to not fund the plan. A discount rate of 4.5% was used. This rate is derived from the historical performance of the New Jersey Cash Management Fund.

Health care trend rates used varied between 5% and 10% through the year 2023 and 5% thereafter for Medical and Prescription Drug, and 5% for Medicare Part B through 2023 and thereafter.

Salaries increases and social security taxable wages base increases were assumed to be 3% per year and 3.5% per year, respectively.

Medical Benefit Assumptions - The actuarial valuation elected to use age-banded incurred claims costs based on the claims costs of the two medical plans noted under "plan description" as well as Medicare Part B. The direct contribution and implicit subsidy is required to be considered in measuring the City's post-employment benefit obligations.

Demographic Assumptions - Demographic assumptions include the following: mortality, retirement rates, withdrawal, disability rate, mid-year decrements and benefit payments, participation rates, spousal/dependent coverage and expenses.

Of these, factors to note are participation rates are assumed at 100% of future retirees and 60% of eligible retirees assumed to have spousal coverage. All retirees are assumed to participate in Medicare Parts A and B.

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

Methods

Actuarial Cost Method - There are several acceptable actuarial methods listed in the GASB standard. The actuarial cost method used to determine the plan's costs is the Projected Unit Credit method, the same method used in State of New Jersey Postemployment Benefits Other Than Pension Actuarial Valuation. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age.

Asset Valuation Method - The plan is currently unfunded.

Amortization Method and Period - The unfunded actuarial accrued liability is amortized as a level dollar amount using an open period of 30 years.

NOTE H. COMPENSATED ABSENCES

Under the existing contracts and policies of the City, certain employees are allowed to accumulate certain levels of vacation and sick pay over the duration of their employment. As of December 31, 2013 and 2012, the total accumulated absence liability was \$74,241,679 and \$59,240,339, respectively. No funds were reserved or appropriations budgeted as of for the years ended December 31, 2013 and 2012.

During the year ended December 31, 2013, the City passed a Special Emergency Appropriation to pay for severance liabilities arising from retirements and layoffs in the amounts of \$9,500,000 and issued Special Emergency Notes to finance the appropriations. During the year ended December 31, 2012, the City expended \$7,619,611 for severance liabilities. These funds were expended without an appropriation and are required to be raised as a deferred charge in the budget of the year ended December 31, 2013.

NOTE I. RISK MANAGEMENT

Insurance Coverage

The City established a self-insurance program in 1982 in accordance with New Jersey Statute Chapter 40:10-6. The Chapter enables the governing body of any local unit to create a fund to provide insurance coverage for its exposure to a wide variety of property casualty risks, including property damage caused to any of the unit's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment or apparatus; liability for the unit's negligence, including that of its officers, employees and servants and workers' compensation obligations.

The City self insures against tort claims (including claims arising from the use of motor vehicles), claims arising from police activities, unemployment compensation and workers' compensation lawsuits.

The City has also obtained the following coverage:

- Public officials' liability insurance with limits of \$1,000,000 for employee theft and \$1,500,000 for premises theft.
- Directors and Officers liability policy with limits of \$2,000,000.
- General liability excess coverage of \$2,000,000 per occurrence, \$5,000,000 aggregate, after exhaustion of a retained limit of \$1,000,000 for workers' compensation claims.
- Building coverage ranging from \$20,808 to \$15,011,250, depending on the location insured.
- Business personal property coverage ranging from \$50,000 to \$2,500,000, depending on the location insured.
- Total property coverage of \$196,473,294.
- Commercial watercraft insurance providing Hull coverage for \$1,671,422 and protection and indemnity coverage in the amount of \$1,000,000 per incident.

Disaster Recovery

The City has entered into contracts with various vendors in an effort to protect its financial processes and data in the event unforeseen disaster should occur. Included in these contracts are offsite storage of financial data tapes and payroll data offsite backup. The latter also provides the City the ability to run such process offsite if needed.

NOTE J. PREPAID DEBT SERVICE – QUALIFIED BONDS

The City reverted its fiscal year from one ending June 30, annually, to one ending December 31, annually. The City's final fiscal year ended June 30, 2010. The City's first calendar year was 2011. The interim period, July 1, 2010 to December 31, 2010, was the City's six month transition year.

The Division required municipalities reverting to a calendar year to anticipate a full year of State Aid during the six month transition year. The City receives State Aid in two forms: cash payments and qualified bond payments in lieu of direct aid in cash. Qualified bonds are State Aid payments withheld by the State and forwarded directly to paying agents for principal and interest payments on the bonds. During the transition year ended December 31, 2010, the City certified qualified bond maturity schedules for the twelve month period of July 1, 2010 to June, 30, 2011, six months beyond the end of the transition year. As a result, the City recognized State Aid revenues in the amount of \$17,005,234 for debt service payments of the succeeding year, resulting in prepaid debt service at year end.

The following schedule summarizes the State Aid received, qualified bond payments applied and the prepaid amounts as of December 31, 2013 and 2012.

PREPAID DEBT SERVICE		
	2013	2012
Balance, Beginning of Year	\$ 16,685,572	\$ 16,690,986
Add: State Aid	69,320,501	69,509,094
	86,006,073	86,200,080
Less: Received in Cash	(22,148,932)	(26,964,286)
Misc. Adjustments	-	(4)
Qualified Bond Payments	(46,237,823)	(42,550,218)
Balance, End of Year	\$ 17,619,318	\$ 16,685,572

NOTE K. CLEARING ACCOUNT

The City maintains a clearing account in the Current Fund General Ledger so that cash received for revenues may be deposited promptly and distributed to proper accounts at a later date.

The City also maintains a claims account, or a cash clearing bank account, from which bills are paid for the Current, Trust and Capital Funds.

NOTE L. FIXED ASSETS

The City had the following investment balance and activity in general fixed assets as of and for the year ended December 31, 2013:

	Balance, Dec. 31, 2012	Activity During Current Year		Balance, Dec. 31, 2013
		Additions	Dispositions	
Land	\$ 135,599,800	\$ -	\$ -	\$ 135,599,800
Improvements	125,485,422	138,600	-	125,624,022
Machinery and Equipment	56,299,289	2,769,496	91,719	58,977,066
	<u>\$ 317,384,511</u>	<u>\$ 2,908,096</u>	<u>\$ 91,719</u>	<u>\$ 320,200,888</u>

In accordance with accounting practices prescribed by the Division, and as further detailed in Note A, no depreciation has been provided for and fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

NOTE M. PREPAYMENTS OF PILOT REVENUES

The City has entered into certain financial agreements under the Long Term Tax Exemption Law, which allows developers to pay Annual Service Charges in Lieu of Taxes (PILOTs) upon completion of such construction projects. The City further structured many PILOT agreements prior to 2009 whereas (a) entities would prepay to the City, upon execution of the agreement and well in advance of project completion, the first year's estimated Annual Service Charge and (b) the City would be required to refund or credit this prepayment to the entity once the project is completed, typically over a period of four years.

The City realized these prepayments as revenues in the period received. In each of the first four years after project completion, the City reduces the amount of revenues from the calculated Annual Service Charges by crediting 25% of the prepaid amount each year.

As of December 31, 2013 and 2012, the City estimates it owes a total of \$18,679,118 and \$23,294,498, respectively, in refunds and credits on Annual Service Charges arising from such prepayment agreements. Of this amount, the City expects to refund and credit \$2,230,257 during the year ended December 31, 2014.

NOTE N. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheets of the various funds. The appropriations in the 2013 budget are not less than that required by statute.

	Balance, Dec. 31, 2012	Less Funded in 2013 By:		Add: Results of Current Year	Succeeding Budgets
		Budget Appropriation	Capital Ordinance		
Special Emergency Authorizations (40A:4-53.b)					
Revaluation of Properties	\$ 2,520,000	\$ 630,000	\$ -	\$ -	\$ 1,890,000
Special Emergency Authorizations (40A:4-53.b)					
Contractual Severance Payments-2010	5,580,000	1,860,000	-	-	3,720,000
Contractual Severance Payments-2011	7,600,000	1,900,000	-	-	5,700,000
Contractual Severance Payments-2013	-			9,500,000	9,500,000
Special Emergency Authorizations (40A:4-54)					
Superstorm Sandy	15,420,000	1,193,000	9,420,000	-	4,807,000
Emergency Authorizations (40A:4-46)					
Superstorm Sandy	580,000	-	580,000	-	-
Expenditure without an Appropriation					
Contractual Severance Payments-2012	7,619,611	7,619,611	-	-	-
	<u>\$ 39,319,611</u>	<u>\$ 13,202,611</u>	<u>\$ 10,000,000</u>	<u>\$ 9,500,000</u>	<u>\$ 25,617,000</u>

Further description of the above deferred charges follows.

Contractual Severance Liabilities

A significant number of employees either retired or otherwise had their employment with the City terminated. The City passed special emergency appropriations to provide for payment of the resulting severance liabilities in 2013, 2011 and transition year ended December 31, 2010 for \$9,500,000, \$9,500,000 and \$9,300,000, respectively. The current balance to be raised is noted in the preceding table. The special emergency appropriations were financed with special emergency notes, discussed further in Note D.

In addition, during the year ended December 31, 2012, the City paid \$7,619,611 in contractual severance obligations which were neither appropriated nor approved by special emergency appropriation. Such expenditure without appropriation was raised in the 2013 budget in full.

Revaluation of Properties

During the year ended December 31, 2011, the City passed a Special Emergency Appropriation of \$3,150,000 for the preparation and execution of a complete program of revaluation of real property for the use of the local assessor. The current balance to be raised is noted in the preceding table.

NOTE N. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS (continued)

Superstorm Sandy

During the year ended December 31, 2012, the City suffered extensive damages from the effects of Superstorm Sandy and subsequent flooding. The City passed Resolution No. 12-842 which consisted of two emergencies related to this storm. The first is a \$580,000 emergency appropriation and the second is a \$15,420,000 special emergency appropriation. On March 28, 2013, the City adopted Ordinance No. 13-031 which re-appropriated \$10,000,000 of this emergency as a capital ordinance for items as allowable under State statutes. The current balance to be raised in future current fund budgets is noted in the preceding table.

NOTE O. RELATED PARTY TRANSACTIONS

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY

On February 1, 1998, the City transferred its water operating functions to the Jersey City Municipal Utilities Authority (JCMUA). Pursuant to the franchise and service agreement, the City and the JCMUA agreed that the JCMUA will, in addition to paying the City an up-front franchise fee and annual franchise concession fees, (a) assume the responsibility for and the payment of the principal and interest on the City's water bonds; (b) pay the City for the oversight of the operations of the water system and (c) provide water and sewer service to the City free of charge for all governmental public facilities as identified by the City.

As noted above, the JCMUA is responsible to reimburse the City for payments of principal and interest on water bonds. The amount of Water Serial Bonds payable, and therefore the amount receivable from the JCMUA to the City's Capital Fund, at December 31, 2013 and 2012 was \$34,450,000 and \$37,425,000, respectively.

During the year ended June 30, 2003, the City and the JCMUA agreed to extend the franchise agreement through March 31, 2028 for the price of \$42,000,000. The City received \$28,000,000 for the franchise extension in 2003 and 2004 combined, while the final payment of \$14,000,000 is deferred. As of December 31, 2013 and 2012, the City had a receivable due from the JCMUA of \$14,000,000, each year, for the franchise extension.

NOTE O. RELATED PARTY TRANSACTIONS (continued)

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY (continued)

A summary of the amounts due from the JCMUA at December 31, 2013 and 2012 is as follows:

	<u>Balance Dec. 31, 2012</u>	<u>Issuance of New Debt*</u>	<u>Payments Received</u>	<u>Balance Dec. 31, 2013</u>
Current Fund:				
Franchise Extension Agreement	\$ 14,000,000	\$ -	\$ -	\$ 14,000,000
Capital Fund:				
Water Bond Principal	<u>37,425,000</u>	<u>895,000</u>	<u>3,870,000</u>	<u>34,450,000</u>
	<u>\$ 51,425,000</u>	<u>\$ 895,000</u>	<u>\$ 3,870,000</u>	<u>\$ 48,450,000</u>

* Represents debt issued during the year ended December 31, 2013 of \$12,050,000, net of the amount of existing debt which was refunded, \$11,155,000.

During the year ended December 31, 2013 and 2012, the City received the following payments from the Authority:

- Franchise Concession Payments of \$13,000,000 and \$12,500,000, respectively.
- Water Debt Service Payments of \$5,254,995 (for principal of \$3,870,000 and interest of \$1,384,995) and \$5,520,940 (for principal of \$3,797,000 and interest of \$1,723,940), respectively.

JERSEY CITY BOARD OF EDUCATION

As described in Note D, the Jersey City Board of Education is a Type I School District, therefore, bonds and notes authorized by the Board of Education are general obligations of the City, are reported on the balance sheet of the City's General Capital Fund and are accordingly included in the summary of municipal debt. The City budgets the principal and interest payments of the Board of Education's obligations as they become due. These obligations are funded by the City through an amount to be raised by taxation called "addition to local district school tax", less any regular school debt service aid received from the State of New Jersey.

NOTE O. RELATED PARTY TRANSACTIONS (continued)

JERSEY CITY BOARD OF EDUCATION (continued)

For the years ended December 31, 2013 and 2012, the City's budget included the following debt service requirements of the Board of Education and corresponding anticipated revenues:

	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2012</u>
Debt Service Requirements of the Board of Education:		
Maturing Serial Bonds - School Qualified	\$ 9,225,000	\$ 9,125,000
Interest on Bonds - School Qualified	<u>2,965,025</u>	<u>3,449,607</u>
	12,190,025	12,574,607
Less: Applicable Revenues Anticipated		
Building Aid Allowance for School Aid*	<u>5,475,816</u>	<u>5,648,572</u>
Balance for Support of Board of Education:		
Addition to Local District School Tax	<u>\$ 6,714,209</u>	<u>\$ 6,926,035</u>

JERSEY CITY REDEVELOPMENT AGENCY

City Pledge and Assignment Agreement under Redevelopment Bond Financing Law – On October 23, 2013, the City introduced Ordinance No.'s 13-122 through 124 which approve the execution of financial agreements with Journal Square I Urban Renewal LLC, Journal Square II Urban Renewal LLC and Journal Square III Urban Renewal LLC, respectively. These agreements will provide for tax exemption under the Tax Exemption Law and Redevelopment Bond Law whereas the City will receive annual service charges in lieu of taxes. Further, to finance certain aspects of these project agreements, the Jersey City Redevelopment Agency will issue bonds in an aggregate amount of up to \$10,000,000 per agreement (\$30,000,000 total) pursuant to the Redevelopment Bond Law. The City, through these ordinances, approves the delivery of a Pledge and Assignment Agreement with the Jersey City Redevelopment Agency which will provide for pledge and assignment of the Annual Service Charge as security for the payment of debt service on the Redevelopment Area Bonds.

NOTE P. INTERFUND BALANCES

The City has various transactions by and between its individual funds. Certain accounts of the Trust and Capital Funds earn interest which is required to be recorded as revenue in the Current Fund budget. Other transactions include budget appropriations in the Current Fund which are required to be turned over to the Federal and State Grant, Trust and Capital Funds. All these transfers are routine and are consistent with the activities of the funds making the transfers.

NOTE P. INTERFUND BALANCES (continued)

As of and during the year ended December 31, 2013, the Current Fund had the following interfund activity and receivable balances at year end:

	Balance: Dec. 31, 2012	Additions	Deductions	Balance: Dec. 31, 2013
Interfund Due from General Capital Fund to Current Fund				
Interest	\$ 19,200	\$ 110,693	\$ 123,129	\$ 6,764
Advances	-	128,768,871	128,768,871	-
Sandy Expenditures	-	4,181,901	-	4,181,901
	<u>\$ 19,200</u>	<u>\$ 133,061,465</u>	<u>\$ 128,892,000</u>	<u>\$ 4,188,665</u>
Interfund Due from Other Trust to Current Fund				
Budget Revenues Anticipated	\$ -	\$ 1,250,000	\$ 1,250,000	\$ -
Cancellations	-	926,661	62,219	864,442
Charge-Backs	-	16,424,841	16,424,841	-
	<u>\$ -</u>	<u>\$ 18,601,502</u>	<u>\$ 17,737,060</u>	<u>\$ 864,442</u>
Interfund Due from Payroll Clearing to Current Fund				
Budget Appropriations	\$ 1,000	\$ 229,595,053	\$ 229,596,053	\$ -
Cancellations	-	338,457	-	338,457
	<u>\$ 1,000</u>	<u>\$ 229,933,510</u>	<u>\$ 229,596,053</u>	<u>\$ 338,457</u>
Interfund Due from Current Fund to Animal Control Fund				
Statutory Excess	\$ 6,267	\$ 167	\$ 9,455	\$ (3,021)
Charge-Backs	-	20,000	20,000	-
	<u>\$ 6,267</u>	<u>\$ 20,167</u>	<u>\$ 29,455</u>	<u>\$ (3,021)</u>
Interfund Due from Current Fund to Grants Fund				
Cancelled Reserves	\$ 186,987	\$ 211,645	\$ 495,020	\$ (96,388)
Interest	688	-	688	-
Budget Activity	-	26,767,443	26,767,443	-
	<u>\$ 187,675</u>	<u>\$ 26,979,088</u>	<u>\$ 27,263,151</u>	<u>\$ (96,388)</u>
Interfund Due from Current Fund to Evertrust				
Encumbrance Adjustment	\$ -	\$ -	\$ 8,921	\$ (8,921)
Interfund Due from Current Fund to CDBG Trust				
Grant Activity	\$ (5,645)	\$ 9,333,625	\$ 9,330,480	\$ (2,500)
Interfund Due from Current Fund to Insurance Trust				
Vendor Refund	\$ -	\$ -	\$ 1,357	\$ (1,357)
Interfund Between Current Fund and Assessment Trust				
Budget Revenues Anticipated	\$ -	\$ 36,093	\$ 36,093	\$ -
Interfund Between Current Fund and HOME				
Charge-Backs	\$ -	\$ 29,368	\$ 29,368	\$ -

NOTE P. INTERFUND BALANCES (continued)

In addition to the Current Fund interfund activity noted on the previous page, the City also had the following interfund activity and balances as of and for the year ended December 31, 2013.

	Balance: Dec. 31, 2012	Additions	Deductions	Balance: Dec. 31, 2013
Other Payroll Clearing Interfund Activity - Appropriations				
Due to HOME Trust	\$ 19,308	\$ 278,123	\$ 297,500	\$ (69)
Between Grants Fund	-	1,983,496	1,983,496	-
Between HOPWA Trust	2,773	33,095	35,868	-
Due from CDBG	49,793	866,534	885,212	31,115

Current Fund interfunds receivable are fully reserved and recognized as credits to operations in the year the interfunds are received in cash. Interfunds receivable in the Trust Funds, General Capital Fund and Parking Utility Operating Fund are not reserved.

The City expects to fully repay all balances in the subsequent year.

NOTE Q. REVENUE ACCOUNTS RECEIVABLE

Revenue accounts receivable include various receivables due from entities for revenues anticipated in support of the City's budget. These receivables are fully reserved. The following table illustrates activity of the beginning and ending revenue accounts receivable balances for the year ended December, 2013:

	Balance Dec. 31, 2012	Current Year Accruals	Collections	Balance Dec. 31, 2013
Fines and Costs - Municipal Court	<u>\$ 63,229</u>	<u>\$ 10,978,511</u>	<u>\$ 11,041,740</u>	<u>\$ -</u>

NOTE R. ECONOMIC DEPENDENCY

State Aid

The City is also a recipient of State Aid. During the years ended December 31, 2013 and 2012, State Aid accounted for 13%, each year, of the City's realized revenues. Significant changes in State Aid policy, if they were to occur, in conjunction with legislation capping increases to the tax levy, could have a material impact on the City's operations, if any such policy modifications were to occur.

NOTE R. ECONOMIC DEPENDENCY (continued)

Major Taxpayers

The City does not have significant economic dependence on any one taxpayer. However, the ten largest taxpayers of the City as listed in the table on the following page comprise 9.5% of the City's total 2013 tax levy.

Top 10 Taxpayers		
Name	Type	Assessed Value
Mack Cali Plaza II & III, LLC	Office	\$ 214,694,300
Newport Centre (Rego Park)	Mixed - Retail, Office, Hotel, Development	58,625,700
Newport Centre, LLC	Shopping Center	58,088,000
MEPT Newport Tower	Office	45,000,000
John Hancock Life Insurance	Office	43,215,400
Grove Pointe Urban Renewal, LLC	Development	34,512,100
REEF American REIT II	Warehousing	30,406,200
Evergreen America Corp.	Office	24,068,500
PKG Associates, LLC	Mixed - Residential, Office, Retail	23,716,200
Hudson Hospital Propco, LLC	Hospital	20,576,400

Major Payers in Lieu of Taxes

Also listed are the ten largest PILOT agreements. These PILOT agreements comprise 29% of the PILOT revenues collected during year ended December 31, 2013, which in turn comprises 23% of the City's realized revenues for the year ended December 31, 2013.

Top 10 PILOTs	
Name	Payment
Vector UR Assoc. I (Harborspire I)	\$ 4,082,914
30 Hudson Street	4,010,635
Tower of America	3,937,561
Port Liberte II	3,935,999
K. Hovnanian at 7 Hudson St., UR	3,553,650
Port Liberte	3,259,428
Cali Harbor Plaza V	3,236,002
Essex Waterfront	3,197,121
Hudson Point Apartments	3,114,619
James Monroe	3,047,194

NOTE S. LEASE COMMITMENTS

The City has various lease commitments at December 31, 2013 for office space and employee parking. The minimum future lease payments on these commitments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2014	\$ 2,307,779
2015	1,744,131
2016	556,416
2017	12,128
2018	12,128
2019	6,064

NOTE T. AGGREGATION OF ENCUMBRANCES

Other significant commitments at December 31, 2013 include encumbrances outstanding for the Current, Trust and General Capital Funds as shown below.

	<u>Current Fund</u>	<u>Trust Funds</u>	<u>General Capital Fund</u>	<u>Total Encumbrances</u>
Budget Year 2013	\$ 6,453,420	\$ -	\$ -	\$ 6,453,420
Other Reserves	1,194,834	-	725,289	1,920,123
H. Sandy Expenditures	486,967	-	-	486,967
Animal Control Fund	-	16,699	-	16,699
Other Trust Fund	-	2,410,540	-	2,410,540
Law Enforcement Trust Fund	-	159,427	-	159,427
CDBG Trust	-	8,900,825	-	8,900,825
Home Trust	-	5,338,452	-	5,338,452
Evertrust	-	25,000	-	25,000
HOPWA Trust	-	2,363,182	-	2,363,182
State and Federal Grants Fund	-	15,674,293	-	15,674,293
Improvement Authorizations*	-	-	30,730,280	30,730,280
	<u>\$ 8,135,221</u>	<u>\$ 34,888,418</u>	<u>\$ 31,455,569</u>	<u>\$ 74,479,208</u>

* All encumbrances noted above are included on the balance sheets of the City with the exception of amounts encumbered for Improvement Authorizations. The balance noted is reflected as part of the improvement authorization balance.

NOTE U. CONTINGENCIES

Grant Programs

The City participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. The state and federal grants received and expended in the years ended December 31, 2012 and 2011 were subject to the Single Audit Act Amendments of 1996 and State of New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the City's annual audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives.

The City received a letter from the U.S. Department of Housing and Urban Development dated September 26, 2013, which questioned \$1,900,000 of costs associated with its Brownfields Economic Development Initiative Program. The actual amount of the liability, if any, has not yet been determined.

The State of New Jersey is transitioning from the Urban Enterprise Zone Program (UEZ) and will no longer provide additional UEZ grant funding to municipalities containing such zones, which includes the City. The City has received significant UEZ grant funding in previous years. All unspent First and Second Generation Zone Funds will be available to complete existing projects and fund new projects until the funds are exhausted. The City will continue to draw down on Second Generation UEZ Funds until such funds are exhausted.

Arbitrage Rebate

The City is subject Section 148 of Internal Revenue Code, which was enacted to minimize the arbitrage benefits from investing gross proceeds of tax-exempt bonds in higher yielding investments and to remove the arbitrage incentives to issue more bonds, to issue bonds earlier, or to leave bonds outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes for which the bonds were issued. During the year ended December 31, 2013 and 2012, the City was not obligated to remit any funds for arbitrage rebate, yield reduction and interest payments. As of December 31, 2013 and 2012, the City had \$937,315, each year, on reserve for such payments.

NOTE U. CONTINGENCIES (continued)

Tax Appeals

The City is a defendant in various tax appeals that they are defending vigorously. The tax appeals it is currently defending are not unusual for a municipality of its size. In the past, the City has utilized both the Reserve for Tax Appeals account, which is funded through budget appropriations, and has issued refunding notes to pay for the appeals. During the years ended December 31, 2013 and 2012 the City appropriated a total of \$1,785,000, each year, to fund tax appeal interest and overpayments.

During the years ended December 31, 2013 and 2012, the City further funded tax appeal payments through a charge to operations of \$2,803,848 and \$2,674,802, respectively.

In addition, the Local Finance Board has allowed the City to issue tax refunding obligations to finance certain tax refunds. They are renewable annually for five to seven years after their date of issuance, with the amortization schedule approved by the Local Finance Board. The following table illustrates ordinances which have been adopted to fund the payment of tax appeals as well as any the outstanding balance of notes issued on those ordinances.

Ord. No.	Original Authorization	Balance Dec. 31, 2012	Paid or Charged	Balance Dec. 31, 2013	Outstanding Notes
09-028	\$ 11,471,819	\$ -	\$ -	\$ -	\$ 4,916,420
10-031	7,201,450	70,263	26,412	43,851	2,880,580
11-116	7,000,000	236,402	-	236,402	3,300,000
	<u>\$ 25,673,269</u>	<u>\$ 306,665</u>	<u>\$ 26,412</u>	<u>\$ 280,253</u>	<u>\$ 11,097,000</u>

Affordable Housing

The State has passed legislation which would seize uncommitted affordable housing funds from municipalities. After rounds of appeals and court orders, the Appellate Division has ruled that the State can seize such funds, assuming proper notice and the ability for municipalities to contest the State's findings are provided. The extent of the City's Affordable Housing funds subject to seizure by the State, if any, is uncertain. As of December 31, 2013 and 2012, the City had balances of \$5,532,432 and \$2,884,848 in its Affordable Housing Trust, respectively, and \$995,783 and \$1,051,110 in its NJHMFA Trust Fund, respectively. As of December 31, 2013, the City has not been notified that any funds will be seized by the State

NOTE U. CONTINGENCIES (continued)

Non-Recourse Debt

On November 13, 2013, the City adopted Ordinances 13.122 through 13.124 approving the execution of financial agreements with Journal Square I Urban Renewal, LLC, Journal Square II Urban Renewal, LLC and Journal Square III Urban Renewal, LLC related to the authorization and issuance by the Jersey City Redevelopment Agency of not to exceed \$10,000,000 for each agreement (\$30,000,000 total) of Redevelopment Area Bonds. Under N.J.S.A. 40A:12A-67, these bonds are issued as non-recourse obligations to the full faith and credit of the City are not considered to be direct and general obligations of the City. The City is not obligated to levy and collect tax sufficient in an amount to pay the principal and interest on the bonds when they become due and payable. Further, these bonds are not considered gross debt of the City on any debt statement filed in accordance with the Local Bond Law, N.J.S.A. 40A:2-1 et seq.

Litigation

The City of Jersey City, its officers and employees are defendants in a number of lawsuits including, but not limited to, lawsuits arising out of alleged torts, alleged breaches of contract and alleged violations of civil rights, none of which is unusual for a municipality of its size. The City is also engaged in activities, such as police protection and public works construction, which could result in future litigation with a possible significant monetary exposure to the City.

Based upon the information available to date, it does not appear that any individual lawsuit or the cumulative effect of these lawsuits will impair the City's ability to pay any judgments or settlements in an orderly manner, since the likelihood is that the amount of any judgments and eventual settlements will be much less than the amount claimed, and payments can be spread over two or more fiscal years. Because many lawsuits are still in the discovery stage, the Corporation Counsel is unable to determine the probability of a successful defense to them at this time. The City self-insures against tort claims, which include general liability, automobile liability, employment practices, public officials and police professional and workers compensation lawsuits. The City also carries excess insurance for all lines of coverage which provides \$2 million coverage with a self-insured retention in the amount of \$1 million for each covered event. The cases listed below have a potential monetary exposure in excess of \$620,000.

NOTE U. CONTINGENCIES (continued)

Litigation (continued)

V.M. v City of Jersey City – This case arises from a complaint by a female police sergeant (now retired) alleging that the chief of police did not promote her because of her political affiliation and her gender. Summary Judgment was granted to the defendants on the Federal claims, however the trial court order was reversed by the 3rd Circuit Court of Appeals and the matter remanded for trial. The State law claims are pending in the Superior Court of New Jersey where Summary Judgment on the remaining claims was granted. The plaintiffs took an appeal to the Superior Court, Appellate Division and the Appellate Division reversed the summary judgment orders and remanded the cases for trial. Although the reversal of the order for summary judgment is a serious setback for the defendants, the City of Jersey City and the individual defendants (former Mayor Healy and former Chief of Police Troy) are prepared to defend this lawsuit on the merits. There is a significant monetary exposure for economic damages and attorney fees. An adverse verdict, with statutory attorney fees, would likely exceed \$1,000,000.00.

212 Marin Blvd. et. al. v City of Jersey City (Sixth Street Embankment) - Various lawsuits, brought by several commonly owned/controlled LLC entities owning property know as the Sixth Street Embankment, alleging that the City has interfered with their development rights and violated constitutional rights. These matters have been pending in Superior Court for several years despite numerous attempts to achieve a settlement. The main case is now before the Surface Transportation Board in Washington DC, where the City has so far been successful. The state court cases have been “stayed” pending resolution of the matter in Washington. The City continues to defend against all of the claims. The property has an appraised value in excess of \$6,000,000 and the plaintiffs claim a current value in excess of \$20,000,000.

A. v City of Jersey City – This case is related to the V.M. case noted above. In this case, eight other sergeants allege that because Montone was wrongfully not promoted to Lieutenant, they could not be promoted since they were behind her on the promotion list. They claim the difference in pay and benefits between what they contend they would have received if they had been promoted and what they actually have received. These claimed damages continue to accrue as the case proceeds.

Same procedural history as in V.M., above.

Although the Summary Judgments obtained in this case were reversed, the defendants maintain that the defenses to the plaintiffs’ claims are viable and the case will be defended on its merits. Plaintiffs also claim attorney fees and back pay. If they prevail, the combined award could exceed \$800,000.

NOTE U. CONTINGENCIES (continued)

Litigation (continued)

W. v City of Jersey City – This is a personal injury/civil rights claim brought by the plaintiff against the City and several officers in which the plaintiff alleges traumatic brain injury. If a liability verdict is entered in plaintiff's favor, the possibility of a verdict in excess of \$1,000,000 is not out of the range of foreseeability.

City of Jersey City v Consolidated Rail Corporation – The City is seeking to acquire a portion of the Harsimus Branch for possible transportation, trail, open space, park and historic preservation uses. Said property was sold to a developer by Conrail when the City expressed interest. The purpose of this lawsuit is to determine, among other things, the sale price of the property, likely ranging from the sale price to the developer, \$3,000,000 to the amount demanded by the developer from the City, \$30,000,000. Negotiating a settlement has become difficult since the developer (LLC) alleged fraud and negligence against Conrail.

Complaint of the City Against the Port Authority of New York and New Jersey – The City contends that approximately forty properties owned by the Port Authority in the City would have historically yielded additional revenue at the rate of \$18 million per year, but that the Port Authority has only been paying \$2.2 million annually for seven properties and no taxes or payments in lieu of taxes for thirty three properties. The City contends that in so doing, the Port Authority has violated statutes governing its operations.

A.B. v City of Jersey City - Auto accident case, serious personal injuries to plaintiff, a bicycle operator who alleges that she was struck by a private vehicle operated by a Jersey City police officer who had completed his tour of duty and was going to Municipal Court to testify. The City contends that the officer was not in the course of his employment. Plaintiff claims a permanent inability to work as well as permanent disability. So far her medical expenses have been covered by PLIGA, but she may exceed the limit with future surgeries recommended by her doctors. The private insurance carrier for the defendant Bryant settled with plaintiff for his policy limits, \$50,000.00. The City of Jersey City thereafter successfully moved for summary judgment. The plaintiff appealed and the matter is now pending in the Superior Court of N.J., Appellate Division. The exposure in this case could exceed \$620,000.

R. v City of Jersey City - Plaintiff tripped and fell on City Hall steps as a result of a maintenance defect and sustained injuries to her shoulder, her neck and her back. She incurred in excess of \$220,000.00 in medical expense subject to an ERISA lien which must be reimbursed. The case settled before trial for \$625,000.00 of which the City's excess carrier will pay \$375,000.00

NOTE U. CONTINGENCIES (continued)

Litigation (continued)

Vincent Pools v City of Jersey City - This case arises out of a cancellation of a contract by Jersey City due to allegedly defective work performed by a plaster subcontractor at the newly constructed Lafayette Pool complex. The contractor also claimed money due for extras. At trial, the jury returned a verdict of approximately \$580,000 against Jersey City. We are preparing to appeal the verdict.

Realty Appraisal Co. v City of Jersey City - Plaintiff alleges breach of contract by City of Jersey City and claims \$2,500,000.00 due as a result of breach. City has assigned counsel to defend against this claim which is in the discovery stage in Superior Court, Law Division.

Morgan Street Developers URC v City of Jersey City - Plaintiff claims it is entitled to approximately \$2,300,000 in prepaid annual service charge and Affordable Housing Contribution as a successor to an earlier developer at the same property. The City denies that the current developer is entitled and is opposing the application.

Tower America URC, Newport Hotel URC, 74 Grand Street URC, 20 River Court URC v City of Jersey City - In each of these separately filed lawsuits owners of tax abated properties are challenging the method by which the excess profits charge (as distinguished from the annual service charge) is calculated by the City. While each of the properties is unique, if the plaintiffs are successful, the amount due to the City will be reduced annually by millions dollars in the aggregate over the life of the abatements.

NOTE V. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 1, 2014, the date which the financial statements were available to be issued. The following material subsequent events have been noted:

Refunding of Notes - \$7,310,000 - On July 15, 2014, the City issued \$7,310,000 of notes as part of the Hudson County Improvement Authority's issuance of County-Guaranteed Pooled Notes, Series 2014U-1A totaling \$25,274,000. These notes partially refunded notes due in the amount of \$7,405,000, originally issued to finance costs associated with the Sixth Street Embankment authorized by Ordinance No. 10-085. The notes were issued with an interest rate of 1.25% maturing July 15, 2015.

NOTE V. SUBSEQUENT EVENTS (continued)

Issuance of Notes - \$9,687,000 - On April 16, 2014 the City issued notes totaling \$5,977,870, consisting of \$4,717,870 Tax Appeal Refunding Notes, Series 2014A and \$1,260,000 Special Emergency Notes, Series 2014B. Both Notes were issued with an interest rate of 0.86% maturing April 15, 2015.

The City will apply the proceeds of the Series 2014A Notes to pay a portion of the maturing principal of the City's \$7,797,000 Refunding Notes (Real Property Tax Appeal), series 2013A which were issued on April 17, 2013 and pay a portion of the costs of issuing the Notes.

The City will apply the proceeds of the Series 2014B Notes to pay a portion of the maturing principal of the City's \$1,890,000 Special Emergency Notes, Series 2013B which were issued on April 17, 2013 and to pay a portion of the costs of issuing the Notes.

Dissolution of Jersey City Parking Authority – On February 18, 2014 the City filed an application with the State of New Jersey Local Finance Board to dissolve the Jersey City Parking Authority, as authorized by City Ordinance No. 14.017. The Local Finance Board approved such dissolution effective July 1, 2014 pursuant to N.J.S.A. 40A:5-20. Per the application to the Local Finance Board, the City will assume the services and functions provided by the Parking Authority within the City's operating budget. Outstanding debt of \$6,514,987 will also be assumed by the City.

Capital Lease Agreement for MLK HUB – \$45,119,000 (minimum) - On August 20, 2014, the City introduced Ordinance No. 14.099 which provides for a bondable lease of an office building on Block 21201 Lot 17, "MLK HUB", to be constructed by Jersey City Municipal, LLC. The basic term of the lease agreement is 25 years with base rent payments commencing on the date of substantial completion of the building, but not later than October 1, 2016.

The rent, not including expenses that are the responsibility of the City, for years one through five would be \$1,284,000 annually. Thereafter, annual rent would range from a minimum of \$1,515,000 in year six to a minimum of \$2,422,200 in year 25. Total minimum payments under the lease would be \$45,119,400. In the event Jersey City Municipal, LLC obtains financing at an interest rate above 4.6%, then there would be a corresponding increase in annual rent in years six through 25.

Adoption of the ordinance has been tabled for future consideration as of the date of this report.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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ARCHER & GREINER

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December __, 2014

Mayor and City Council
of the City of Jersey City
Jersey City, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale, issuance and delivery of \$71,135,000 Qualified General Obligation Refunding Bonds, Series 2014, consisting of (i) \$18,580,000 Qualified General Obligation Refunding Bonds, Series 2014A, consisting of (a) \$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A (the "Qualified General Improvement Refunding Bonds") and (b) \$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A (the "Qualified Water Improvement Refunding Bonds" and together with the Qualified General Improvement Refunding Bonds, the "Tax-Exempt Bonds"), and (ii) \$52,555,000 Qualified General Obligation Refunding Bonds, Taxable Series 2014B, consisting of (a) \$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified Public Improvement Refunding Bonds") and (b) \$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified School Refunding Bonds" and together with the Taxable Qualified Public Improvement Refunding Bonds, the "Taxable Bonds") (the Tax-Exempt Bonds and the Taxable Bonds shall be hereinafter collectively known as the "Bonds"), of the City of Jersey City, in the County of Hudson (the "City"), a body corporate and politic organized and existing under the laws of the State of New Jersey (the "State").

The Bonds are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1, *et seq.*, as amended and supplemented (the "Municipal Qualified Bond Act") (as to the Qualified General Improvement Refunding Bonds, the Qualified Water Improvement Refunding Bonds and the Taxable Qualified Public Improvement Refunding Bonds), (iii) the School Qualified Bond Act, N.J.S.A. 18A:24-85 *et seq.*, as amended and supplemented (the "School Qualified Bond Act") (as to the Taxable Qualified School Refunding Bonds), (iv) refunding bond ordinances each duly adopted by the City Council on June 19, 2013, and approved and published as required by law, and (v) a resolution duly adopted by the City Council on October 8, 2014 (collectively, the "Authorization Proceedings").

The Tax-Exempt Bonds are being issued to (A) provide a deposit to one or more escrow funds that, when invested, will be sufficient to (i) advance refund all or a portion of the City's outstanding and callable Qualified General Improvement Bonds, Series

2006A, dated November 2, 2006, namely those bonds maturing on August 1 in the years 2017 through and including 2023 (the "2006 GI Refunded Bonds"), and to call for redemption the 2006 GI Refunded Bonds on August 1, 2016 (the "2006 GI Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2006 GI Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2006 GI Redemption Date; and (ii) advance refund all or a portion of the City's outstanding and callable Qualified Water Improvement Bonds, Series 2006B dated November 2, 2006, namely those bonds maturing on August 1 in the years 2017 through and including 2021 (the "2006 Water Refunded Bonds") and to call for redemption the 2006 Water Refunded Bonds on August 1, 2016 (the "2006 Water Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2006 Water Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2006 Water Redemption Date; and (B) pay certain costs associated with the issuance of the Tax-Exempt Bonds.

The Taxable Bonds are being issued to (A) provide a deposit to one or more escrow funds that, when invested, will be sufficient to (i) advance refund all or a portion of the City's outstanding and callable Qualified Public Improvement Refunding Bonds, Series 2006A, dated March 30, 2006, namely those bonds maturing on September 1 in the years 2021 and 2022 (the "2006 Public Improvement Refunded Bonds") and to call for redemption the 2006 Public Improvement Refunded Bonds on September 1, 2016 (the "2006 Public Improvement Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2006 Public Improvement Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2006 Public Improvement Redemption Date; and (ii) advance refund all or a portion of the City's outstanding and callable Qualified School Refunding Bonds, Series 2005C, dated June 16, 2005, namely those bonds maturing on September 1 in the years 2016 through and including 2021 (the "2005 School Refunded Bonds", and together with the 2006 GI Refunded Bonds, the 2006 Public Improvement Refunded Bonds and the 2006 Water Refunded Bonds, the "Refunded Bonds") and to call for redemption the 2005 School Refunded Bonds on September 1, 2015 (the "2005 School Redemption Date") at the option of the City at a redemption price of 100% of the principal amount of such 2005 School Refunded Bonds to be redeemed plus any unpaid accrued interest to the 2005 School Redemption Date, and (B) pay certain costs associated with the issuance of the Taxable Bonds.

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal amounts of \$5,000 each or any integral multiple of \$1,000 in excess thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made by the City directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such

payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Tax-Exempt Bonds shall bear interest from the date of delivery and shall be payable on February 1 and August 1 in each year until maturity, commencing February 1, 2015. The Tax-Exempt Bonds shall be dated the date of delivery and will mature on August 1 in the years and in the principal amounts, as follows:

<u>Year</u>	<u>Qualified General Improvement Refunding Bonds</u>	<u>Qualified Water Improvement Refunding Bonds</u>	<u>Combined Tax- Exempt Principal Amount</u>	<u>Interest Rate</u>
2015	\$ 180,000	\$ 25,000	\$ 205,000	2.00%
2017	2,070,000	365,000	2,435,000	4.00
2018	2,150,000	380,000	2,530,000	4.00
2019	2,240,000	390,000	2,630,000	4.00
2020	2,335,000	405,000	2,740,000	4.00
2021	2,430,000	425,000	2,855,000	4.00
2022	2,530,000	--	2,530,000	5.00
2023	2,655,000	--	2,655,000	5.00

The Taxable Bonds shall bear interest from the date of delivery and shall be payable on March 1 and September 1 in each year until maturity, commencing March 1, 2015. The Taxable Bonds shall be dated the date of delivery and will mature on September 1 in the years and in the principal amounts, as follows:

<u>Year</u>	<u>Qualified Taxable Public Improvement Refunding Bonds</u>	<u>Qualified Taxable School Refunding Bonds</u>	<u>Combined Taxable Principal Amount</u>	<u>Interest Rate</u>
2015	\$ 590,000	\$ 565,000	\$ 1,155,000	0.659%
2016	340,000	5,455,000	5,795,000	1.009
2017	340,000	5,510,000	5,850,000	1.558
2018	350,000	4,080,000	4,430,000	2.125
2019	355,000	3,870,000	4,225,000	2.525
2020	365,000	1,585,000	1,950,000	2.839
2021	17,425,000	1,545,000	18,970,000	3.139
2022	10,180,000	--	10,180,000	3.286

The Bonds are not subject to redemption prior to their stated dates of maturity as set forth therein.

We have examined such matters of law, certified copies of the proceedings, including the Authorization Proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the

genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to, as applicable, the Local Bond Law, the Municipal Qualified Bond Act and the School Qualified Bond Act, (ii) the Bonds are valid and legally binding obligations of the City, and (iii) all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Tax-Exempt Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Tax-Exempt Bonds. The City will represent in its tax certificate relating to the Tax-Exempt Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the City with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Tax-Exempt Bonds pursuant to Section 103 of the Code. The Tax-Exempt Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Tax-Exempt Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Tax-Exempt Bonds owned by corporations will be included in such corporations' "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporations' alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

In our opinion, under existing law, statutes, regulations, rulings and court decisions interest on the Taxable Bonds is includable in the gross income of the owners of the Taxable Bonds for Federal income tax purposes.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the form of the unexecuted Bonds and, in our opinion, the form is regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Jersey City, in the County of Hudson, State of New Jersey (the "Issuer") in connection with the issuance by the Issuer of its \$71,135,000 Qualified General Obligation Refunding Bonds, Series 2014, consisting of (i) \$18,580,000 Qualified General Obligation Refunding Bonds, Series 2014A, consisting of (a) \$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A (the "Qualified General Improvement Refunding Bonds") and (b) \$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A (the "Qualified Water Improvement Refunding Bonds" and together with the Qualified General Improvement Refunding Bonds, the "Tax-Exempt Bonds"), and (ii) \$52,555,000 Qualified General Obligation Refunding Bonds, Taxable Series 2014B, consisting of (a) \$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified Public Improvement Refunding Bonds") and (b) \$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B (the "Taxable Qualified School Refunding Bonds" and together with the Taxable Qualified Public Improvement Refunding Bonds, the "Taxable Bonds") (the Tax-Exempt Bonds and the Taxable Bonds shall be hereinafter collectively known as the "Bonds"). The Bonds are being issued pursuant to three refunding bond ordinances (the "Ordinances") duly adopted by the City Council on June 19, 2013 and a resolution duly adopted by the City Council on October 8, 2014 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC

Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of the such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Exchange Act.

"State" shall mean the State of New Jersey.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of its fiscal year, commencing with the report for the fiscal year ending December 31, 2014, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for making available or providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for making available or providing the Annual Report the name and address of each repository, if any; and

(ii) if applicable, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all repositories, if any, to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data set forth in the Official Statement (including Appendix A thereto) dated November 20, 2014, prepared in connection with the sale of the Bonds under the following captions under the headings: "RECENT FINANCIAL RESULTS AND FINANCIAL OUTLOOK", "SECURITY FOR THE BONDS", "CITY INDEBTEDNESS AND DEBT LIMITS – Debt Statements" (excluding the first five paragraphs thereunder), "CITY INDEBTEDNESS AND DEBT LIMITS – Other City-Related Obligations", "CITY INDEBTEDNESS AND DEBT LIMITS – Municipal Qualified Bond Act" (excluding the first six paragraphs thereunder), "CITY INDEBTEDNESS AND DEBT LIMITS – School Qualified Bond Act" (excluding the first six paragraphs thereunder), "CITY FINANCIAL INFORMATION – Current Fund—Revenues and Expenditures", "CITY REVENUES – Real Estate Tax" (table captioned "Analysis of Tax Rates and Percent Distribution Rate Per \$1,000 Assessed Valuation" only), "CITY REVENUES – Equalization Rate, Tax Revaluation and Tax Collection Rates" (excluding the first paragraph thereof), "CITY REVENUES – Tax-Exempt Properties", "CITY REVENUES – Properties in Tax Abatement" (excluding the first three paragraphs thereunder), "CITY REVENUES – Margin Against Delinquent Taxes", "CITY REVENUES – (table captioned "State Aid to Jersey City" only), "CITY EXPENDITURES", "PENSION FINANCING – City Plans" (table captioned "City Contribution to Employee Pensions" only) and "LITIGATION – Pending Litigation" (table describing amounts in judgments and settlements only).

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
7. modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such

occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner of the Bonds may

take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 10, 2014

CITY OF JERSEY CITY, IN THE COUNTY OF
HUDSON, STATE OF NEW JERSEY

By: _____
Donna L. Mauer, Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Jersey City, in the County of Hudson, State of New Jersey

Name of Bond Issue: \$71,135,000 Qualified General Obligation Refunding Bonds, Series 2014, consisting of (i) \$18,580,000 Qualified General Obligation Refunding Bonds, Series 2014A, consisting of (a) \$16,590,000 Qualified General Improvement Refunding Bonds, Series 2014A and (b) \$1,990,000 Qualified Water Improvement Refunding Bonds, Series 2014A, and (ii) \$52,555,000 Qualified General Obligation Refunding Bonds, Taxable Series 2014B, consisting of (a) \$29,945,000 Qualified Public Improvement Refunding Bonds, Taxable Series 2014B and (b) \$22,610,000 Qualified School Refunding Bonds, Taxable Series 2014B

Date of Issuance: December 10, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated December 10, 2014. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

CITY OF JERSEY CITY, IN THE COUNTY OF
HUDSON, STATE OF NEW JERSEY

By: _____
Name
Title:

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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