

**RESOLUTION URGING THE DEPARTMENT OF ADMINISTRATION, DIVISION OF
AUDIT (1) TO REPORT THE FINDINGS OF THE 2020 PILOT AUDIT; (2) TO
CONDUCT AN AUDIT OF JERSEY CITY’S PAYROLL TAX COLLECTIONS, IN
ACCORDANCE WITH CHAPTER 3, SECTION 3-60.9.B; AND (3) THE
ADMINISTRATION TO ALLOCATE EVERY DOLLAR IDENTIFIED IN THE TWO
AUDITS TO JERSEY CITY SCHOOLS FOR THEIR 2021-2022 SCHOOL YEAR.**

WHEREAS, the City of Jersey City ["the City"] has experienced a significant reduction in State funding for our public schools over the past three years and anticipates continued reductions in such funding over the next several years; and

WHEREAS, on November 20, 2018, the Jersey City Municipal Council unanimously adopted ordinance 18-133 imposing a 1% payroll tax of local businesses employing non-Jersey City residents for the benefit of Jersey City Schools; and

WHEREAS, in October 2019, The Hudson County View reported the findings of an operational efficiency audit of Payment in Lieu of Taxes (PILOTs) commissioned by The Jersey City Board of Education, which concluded that City of Jersey City lost out on millions of dollars due to inaccurate billings on at least 19 different projects receiving payment in lieu of taxes agreements dating back to 2016; and

WHEREAS, on February 4, 2020, in response to the Board of Education’s audit, the Office of the Mayor issued a press release announcing corrective action to audit all 178 past tax abatements. Mayor Fulop said, “...We are working hard on finding new revenue and cost savings”. The City Council would award professional services agreements to three accounting/auditing firms in the amount of \$100,000 to perform an audit of said tax abatements; and

WHEREAS, on September 10, 2020, the Jersey City Municipal Council adopted ordinance 20-065 which amended Chapter 3 (Administration of Government) Article VI (Department of Administration) Reorganizing the Division of Internal Audit within the Department of Administration; and

WHEREAS, Chapter 3, Section 3-60.9.B, charged the Division of Internal Audit functions with “the review and audit of all operations, procedures and functions within the entirety of the municipal government to maximize operational efficiency and revenue collections...” and

WHEREAS, on January 13, 2021, the Jersey City Municipal Council considered Ordinance 21-004, which proposed to amend the Water Street Redevelopment Plan. The amendment was petitioned by the developer, Field Development Group in cooperation with Katerra; and

WHEREAS, during the January 25, 2021 Council Caucus, Councilman At-Large Rolando Lavarro requested verification of the developer’s payment of Jersey City payroll taxes; and

WHEREAS, in an email dated January 27, 2021, less than eight hours before the second reading and final adoption of ordinance 21-004, the attorney representing Fields Development Group and Fields Grade Development Company notified the City Council that Katerra, a large multi-national company doing business in Jersey City with the aforementioned entities, “will be filing payroll tax returns and paying payroll taxes for 2019 and 2020 immediately”; and

WHEREAS, at the January 27, 2021 municipal council meeting, the Jersey City Municipal Council tabled Ordinance 21-004, less than 10 hours after learning that Katerra had never paid its share of payroll taxes in 2019 or 2020; and

WHEREAS, at an October 29, 2020 virtual public meeting of the Jersey City Board of Education, media outlets reported that Franklin Walker, Jersey City Public School Superintendent, had notified the Board that the District was faced with an estimated \$300 million budget shortfall for the 2021-2022 academic year. The budget deficit was attributed in large part to the COVID-19 pandemic and projected state aid cuts of \$150 million, which he said “can go higher”; and

WHEREAS, Superintendent Walker was further quoted as saying the city “will have to come up with \$150 million in payroll tax for the 2021-2022 school year to account for [state aid] cuts as the payroll tax was put in place to solve for [state aid] cuts.”; and

WHEREAS, as of February 1, 2021, neither the Department of Business Administration, Department of Finance, or the Division of Internal Audit have reported the findings of the PILOT audit; and

NOW THEREFORE BE IT RESOLVED, The Jersey City Municipal Council does hereby urge:

- (1) the Department of Administration, Division of Audit to report the findings of the PILOT audit, specifically any underpayment of tax abatement dollars owed to the City since 2016; and
- (2) for the Department of Administration, Division of Audit, in cooperation with the Tax Collector’s Office and Department of Finance, to conduct an audit of Jersey City’s payroll tax collections, in accordance with Chapter 3, Section 3-60.9.B; and
- (3) the Administration to allocate every dollar identified in the two audits to Jersey City Schools for their 2021-2022 school year.