This is a Preliminary Official Statement and the information contained herein is subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 22, 2010

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

NEW ISSUE **RATINGS: See "Ratings" herein**

In the opinion of GluckWalrath LLP, Bond Counsel assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Series 2010A Bonds and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Series 2010A Bonds, interest received by a holders of the Series 2010A Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a preference item for purposes of the alternative minimum tax imposed on individuals or corporations. However, interest on the Series 2010A Bonds may become taxable retroactively if certain requirements under the Code are not complied with. No opinion is being rendered with respect to the Federal income tax treatment of interest applicable to the Taxable Bonds which are described herein. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Bonds.

THE CITY OF JERSEY CITY
(Hudson County, New Jersey)

$84,431,000* General Improvement Bonds
consisting of
$_________General Improvement Bonds, Series 2010A
and
$_________General Improvement Bonds, Taxable Series 2010B
(Build America Bonds-Direct Payment)

(Option offered to bid as Tax-Exempt Bonds (Series 2010A) or as Taxable Bonds (Series 2010B) to be designated as "Build America Bonds -Direct Payment"– See Notice of Sale herein)

$6,484,000* General Improvement Bonds
(Recovery Zone Economic Development Bond–Direct Payment), Taxable Series 2010C

Date: Date of Delivery **Due: November 1, as shown on the inside front cover**

The $84,431,000* General Improvement Bonds consisting of $______ General Improvement Bonds, Series 2010A (the "Series 2010A Bonds") and the $_____ General Improvement Bonds, Taxable Series 2009B (the "Series 2010B Bonds") and $6,484,000* General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C (the "Series 2010C Bonds") and together with the Series 2010A Bonds, and the Series 2010B Bonds, the "Bonds") will be issued as fully registered Bonds of each series and, when issued, will be registered in the name of and held by Cede & Co., as nominee for the Depository Trust Company ("DTC"). The City intends to make an irrevocable election to treat the Series 2010B Bonds as "Build America Bonds (Direct Payment") under Section 54AA of the Code and the Series 2010C Bonds as Recovery Zone Economic Development Bonds under Sections 54AA and 1400U-2 of the Code. Purchases of the Bonds of each series will be made in book-entry-only form (without certificates) in denominations of $5,000 each or any integral multiple of $1,000 in excess thereof. So long as DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds of such series are to be made directly to Cede & Co., which is to remit such payments to DTC participants, which in turn is to remit such payments to be beneficial owners of the Bonds (see "THE BONDS – Book Entry Only System" herein). Interest on the Bonds is payable semiannually on May 1 and November 1 in each year commencing on May 1, 2011.

The Bonds are subject to redemption prior to their maturity, as more fully described herein.

The Bonds constitute general obligations of the City of Jersey City, New Jersey, and the full faith and credit and unlimited taxing power of the City are pledged to the payment of the principal of, applicable premium, if any, and interest on the Bonds. See "SECURITY FOR THE BONDS" 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 of Jersey City.

The Bonds are offered when, as and if issued by the City and delivered to the purchasers, subject to the approval of legality by GluckWalrath LLP, Bond Counsel, and other conditions described herein. It is expected that the Bonds will be available for delivery on or about November 16, 2010. The Bonds are to be delivered through the facilities of DTC on New York, New York.

ELECTRONIC PROPOSALS WILL BE RECEIVED FOR THE SERIES 2010A BONDS AND THE SERIES 2010B BONDS UNTIL 10:00 AM ON NOVEMBER 3, 2010, AND FOR THE SERIES 2010C BONDS UNTIL 10:30 AM ON NOVEMBER 3, 2010. ALL PROPOSALS MUST BE IN ACCORDANCE WITH THE NOTICES OF SALE.

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* Preliminary, subject to change.

Dated: November __, 2010

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES/YIELDS

General Improvement Bonds, Series 2010

Maturity August 15	Amount	Interest Rate	Price or Yield	Cusip	Maturity August 15	Amount	Interest Rate	Price or Yield	Cusip
2011	$ 180,000				2026	$ 2,800,000			
2012	$ 280,000				2027	$ 2,930,000			
2013	$ 480,000				2028	$ 3,070,000			
2014	$ 785,000				2029	$ 3,200,000			
2015	$ 1,040,000				2030	$ 3,350,000			
2016	$ 1,240,000				2031	$ 3,510,000			
2017	$ 1,690,000				2032	$ 3,660,000			
2018	$ 2,180,000				2033	$ 3,835,000			
2019	$ 2,275,000				2034	$ 4,015,000			
2020	$ 2,375,000				2035	$ 4,195,000			
2021	$ 2,450,000				2036	$ 4,385,000			
2022	$ 2,545,000				2037	$ 4,590,000			
2023	$ 2,655,000				2038	$ 4,790,000			
2024	$ 2,770,000				2039	$ 5,020,000			
2025	$ 2,890,000				2040	$ 5,246,000			

General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C

Maturity August 15	Amount	Interest Rate	Price or Yield	Cusip	Maturity August 15	Amount	Interest Rate	Price or Yield	Cusip
2021	$ 210,000				2031	$ 320,000			
2022	$ 220,000				2032	$ 340,000			
2023	$ 230,000				2033	$ 350,000			
2024	$ 240,000				2034	$ 360,000			
2025	$ 250,000				2035	$ 380,000			
2026	$ 260,000				2036	$ 400,000			
2027	$ 270,000				2037	$ 410,000			
2028	$ 280,000				2038	$ 440,000			
2029	$ 300,000				2039	$ 450,000			
2030	$ 310,000				2040	$ 464,000			

THE CITY OF JERSEY CITY, NEW JERSEY

MAYOR

Jerramiah T. Healy, Mayor

MUNICIPAL COUNCIL

Peter M. Brennan, Council President
Radames Velazquez, Jr., Councilperson at Large
Willie L. Flood, Councilperson at Large
Michael J. Sottolano, Ward A Councilperson
David Donnelly, Ward B Councilperson
Nidia Lopez, Ward C Councilperson
William A. Gaughan, Ward D Councilperson
Steven Fulop, Ward E Councilperson
Viola Richardson, Ward F Councilperson

MUNICIPAL OFFICIALS

John Kelly, Business Administrator
Rosemary T. McFadden, Mayor's Chief of Staff
William C. Matsikoudis, Esq., Corporation Counsel
Carl S. Czaplicki, Director of the Department of Housing, Economic Development and Commerce
Donna Mauer, Chief Financial Officer

BOND COUNSEL

GluckWalrath LLP
Trenton, New Jersey

FINANCIAL ADVISOR

NW Financial Group, LLC
Jersey City, New Jersey

INDEPENDENT AUDITORS

Donohue, Gironda & Doria
Bayonne, New Jersey

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, including the appendices hereto, and if given or made, such other information or representations may not be relied upon as having been authorized by the City or the Underwriter. 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 by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion set forth herein have been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. Where the Constitution, statutes or other laws of the State of New Jersey are referred to, reference should be made to such Constitution, statutes or other laws for a complete statement of the matters referred to. 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 the affairs of the City since the date hereof.

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 guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
OF THE

THE CITY OF JERSEY CITY
(HUDSON COUNTY, NEW JERSEY)

$84,431,000* General Improvement Bonds
consisting of
$_________ General Improvement Bonds, Series 2010A
and
$_________ General Improvement Bonds, Taxable Series 2010B
(Build America Bonds-Direct Payment)

(Option offered to bid as Tax-Exempt Bonds (Series 2010A) or as Taxable Bonds (Series 2010B) to be designated as "(Build America Bonds-Direct Payment)"– See Notice of Sale herein)

$6,484,000* General Improvement Bonds
(Recovery Zone Economic Development Bond–Direct Payment), Taxable Series 2010C

INTRODUCTION

This Official Statement of The City of Jersey City (the "City"), in the County of Hudson (the "County"), State of New Jersey (the "State"), including cover pages and appendices, is provided for the purpose of presenting certain information relating to the City in connection with the sale of the City's $84,431,000* General Improvement Bonds consisting of $______ General Improvement Bonds, Series 2010A (the "Series 2010A Bonds") and the $_____ General Improvement Bonds, Taxable Series 2009B (the "Series 2010B Bonds") and $6,484,000* General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C (the "Series 2010C Bonds") and together with the Series 2010A Bonds, and the Series 2010B Bonds, the "Bonds"). The Series 2010A Bonds maturing in the years _____ to ______, inclusive are issued as tax exempt obligations of the City under the Internal Revenue Code of 1986, as amended (the "Code"). The Series 2010B Bonds maturing in the years _____ to ______, inclusive are issued as taxable obligations of the City and the City is electing to treat them as "Build America Bonds (Direct Payment") under Section 54AA of the Code. The Series 2010C Bonds are issued as taxable obligations of the City and the City is electing to treat them as Recovery Zone Economic Development Bonds under Sections 54AA and 1400U-2 of the Code. The Series 2010B Bonds and Series 2010C Bonds are collectively referred to herein as the "Taxable Bonds".

The Bonds are dated and bear interest from the date of issuance thereof. Interest on the Bonds is payable on May 1, 2011 and semiannually thereafter on November 1 and May 1 in each year until maturity. See "THE BONDS" and "SECURITY FOR THE BONDS" herein for a description of the Bonds and the security therefor. The terms of the Bonds are described generally in this Official Statement, which should be read together with the entire attachments hereto.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all reference to the definitive forms of the Bonds and their statutory authority.

____
***Preliminary, subject to change.**

Purpose of the Bonds and Application of Proceeds

The City will apply the proceeds from the sale of the Bonds to permanently finance the acquisition by the City of the City of Jersey City (the “Authority”) pursuant to N.J.S.A. 40:11A-22(1)(c) of real property and the construction of a new public works facility and including all rights and interests therein and all work and services necessary therefore or incidental thereto as set forth in Bond Ordinance No. 09-68 finally adopted by the City Council on June 17, 2009 and Bond Ordinance No. 10-081 finally adopted by the City Council on June 23, 2010 (collectively the "Ordinances"), and to pay a portion of the costs of issuing the Bonds.

Authorization for the Bonds

The Bonds have been authorized and are to be issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq. of the New Jersey Statutes (the "Act"), the Ordinances and resolutions adopted by the City Council on October 13, 2010 (the "Resolutions"). By resolutions adopted on July 14, 2010, the New Jersey Local Finance Board approved the issuance of and the maturity schedule for the Bonds.

Future Financing Plans

The City plans to issue general obligation bonds to maintain the infrastructure of the City. It is anticipated that the City will issue approximately $20 million either annually or on a fifteen month rolling schedule over a 5-7 year period.

It is also anticipated that the City will continue to issue $3 to $5 million new tax appeal refunding Bonds in each of the next several years. These issues are a continuance of periodic issues of tax appeal refunding Bonds since 1991. Additional information regarding tax appeal refunds can be found in "APPENDIX A – CERTAIN INFORMATION REGARDING THE CITY OF JERSEY CITY" under the headings "CITY INDEBTEDNESS AND DEBT LIMITS- Exceptions to Debt Limit – Real Property Tax Appeal Refunding Bonds", "CITY REVENUES – Real Estate Tax", and "CITY REVENUES – Equalization Rate and Tax Collection Rates".

THE BONDS

General

The Bonds are dated the date of issuance thereof. The Bonds will bear interest from their dated date at the rates and will mature in the amount and on the dates set forth on the front cover of this Official Statement. Interest on the Bonds is payable semiannually on November 1 and May 1 of each year commencing on May 1, 2011. The record dates for the payment of the interest on the Bonds will be each next preceding October 15 and April 15. Interest on the Bonds of each series will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds of each series will be paid when due and at maturity at the office of the Paying Agent shown on the cover of this Official Statement. So long as The Depository Trust Company, New York, New York (“DTC”) or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds are to be made directly to Cede & Co., as nominee for DTC; disbursements of such payments to the DTC Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners of the Bonds is the responsibility of the DTC Participants. See “THE BONDS – Book Entry Only System” herein. The Bonds will be issued in fully registered form in the denomination of $5,000 each, or any multiple of $1,000 in excess thereof, and, under certain circumstances, are exchangeable for one or more fully registered Bonds of like principal amount, series and maturity in the denomination of $5,000 or any multiple of $1,000 in excess thereof.

Series 2010B Bonds and Series 2010C Bonds As “Build America Bonds” and “Recovery Zone Economic Development Bonds”

The American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) permits the City to issue (i) the Series 2010B Bonds as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt bonds, and to elect to receive payments from the federal government equal to 35% of the corresponding interest payable on such Series 2010B Bonds and (ii) the Series 2010C Bonds as Recovery Zone Economic Development Bonds to finance capital expenditures in certain designated Recovery Zones for which it could issue tax-exempt bonds, and to elect to receive payments from the federal government equal to 45% of the corresponding interest payable on such Series 2010C Bonds (collectively, the “Subsidy Payments”). Such Subsidy Payments are not pledged to the payment of the Series 2010B Bonds or the Series 2010C Bonds. Subsidy Payments for the Series

2010B Bonds and the Series 2010C Bonds will be paid to the City and therefor the holders of Series 2010B Bonds or the Series 2010C Bonds will not be entitled to a tax credit.

Redemption Provisions

Optional Redemption. Except as indicated below, the Bonds maturing prior to November 1, 2021 are not subject to optional redemption prior to maturity. The Bonds maturing on or after November 1, 2021 are subject to redemption prior to maturity at the option of the City, as a whole at any time or in part from time to time on or after November 1, 2020, in such order of maturity as decided by the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for redemption.

The Taxable Bonds shall be subject to redemption prior to their stated maturity dates, in whole or in part on any date, in any order of maturity, at the option of the County, upon the occurrences of an Extraordinary Event, as defined below, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of :

(1) the issue price set forth on the inside cover page of the Official Statement (but not less than 100%) of the principal amount of such Taxable Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Bonds are to be redeemed, discounted to the date on which such Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the Treasury Rate, described below, plus 100 basis points; plus, in each case, accrued interest on such Taxable Bonds to be redeemed to the date fixed for redemption.

An "Extraordinary Event" will have occurred if the County determines that a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (the "Code") (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to "Build America Bonds") or there is any guidance published by the Internal Revenue Service or the United States Department of the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Department of the Treasury, which determination is not the result of an act or omission by the County to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Department of the Treasury, pursuant to which the County's 35% cash subsidy payment from the United States Department of the Treasury is reduced or eliminated.

"Treasury Rate" means, with respect to any redemption date for a particular Taxable Maturity, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least 2 business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B Bonds to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

In the event the winning bidder elects to aggregate consecutive principal maturities of the Bonds into one or more term bonds, then each such term bond shall be subject to mandatory sinking fund redemption prior to maturity, in part, on the dates and in the amounts specified in the Notice of Sale for such aggregated consecutive principal maturities (other than the final such 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.

Any Bond subject to redemption as aforesaid may be called in part, provided that the portion not called for redemption shall be in the principal amount of $5,000 or any multiple of $1,000 in excess thereof. If less than all of the Bonds of a particular maturity are to be redeemed, Bonds of that maturity shall be selected by the Chief Financial Officer (or by the Paying Agent) by lot.

When any Bonds are to be redeemed, the Chief Financial Officer (or the Paying Agent) shall give notice of the redemption of the Bonds by publishing such notice once a week for two (2) successive weeks in a newspaper of general circulation that carries financial news, is printed in the English language and is customarily published on each business day in the City of New York, State of New York, the first of such publications to be at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Notice of redemption also shall be mailed by first class mail in a sealed envelope postage prepaid, to the registered owners of any Bonds or portions thereof which are to be redeemed, at their respective addresses as they last appear on the registration books of the City. Such mailing shall not be a condition precedent to such redemption, and failure to so mail or to receive any such notice to any of such registered owners shall not affect the validity of the proceedings for the redemption of the Bonds. Notice of redemption having been given as aforesaid, the Bonds, or portions thereof so to be redeemed, shall, on the date fixed for redemption, become due and payable at the redemption price specified therein plus accrued interest to the redemption date and, upon presentation and surrender thereof at the place specified in such notice, such Bonds, or portions thereof, shall be paid at the redemption price, plus accrued interest to the redemption date. On and after the redemption date (unless the City shall default in the payment of the redemption price and accrued interest), such Bonds shall no longer be considered as outstanding.

During any period in which The Depository Trust Company (or any successor thereto) shall act as securities depository for the Bonds, the notices referred to above shall be given only to such depository and not to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings.

Book Entry Only System

DTC will act as securities depository for the Bonds. One fully registered Bond certificate of each series will be issued in the aggregate principal amount of the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) and will be deposited with DTC.

DTC, the world's largest 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 provision 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTTC), as well as by the New York Stock Exchange, Inc. 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

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, however, Beneficial Owners are 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 the 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 only 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 nominee 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. effect no 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. 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).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. 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, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest 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 shall be the responsibility of DTC, and disbursement of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the City may retain another securities depository for the Bonds or deliver Bond certificates in accordance with instructions from DTC or its successors.

The Paying Agent and the City will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting, and so long as a book-entry-only system is used, will send any notice of redemption or other notices to Bondholders only to DTC. Any failure of DTC to advise any DTC Participants or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

The Paying Agent and the City cannot and do not give any assurance that DTC will distribute payments of debt service to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the Bonds paid to DTC or its nominee, as the registered owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

The information in this section concerning DTC and DTC's book-entry-only system is based upon information obtained from DTC. The City believes the information to be reliable but assumes no responsibility as to accuracy, sufficiency, or completeness thereof.

THE CITY AND THE PAYING AGENT MAY TREAT DTC (OR ITS NOMINEE) AS THE SOLE AND EXCLUSIVE REGISTERED OWNER OF THE BONDS REGISTERED IN ITS NAME FOR THE PURPOSES OF PAYMENT OF THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF, OR INTEREST ON, THE BONDS, GIVING ANY NOTICE PERMITTED OR REQUIRED TO BE GIVEN TO REGISTERED OWNERS, REGISTERING THE TRANSFER OF THE BONDS, OR OTHER ACTION TO BE TAKEN BY REGISTERED OWNERS AND FOR ALL OTHER PURPOSES WHATSOEVER. THE CITY AND THE PAYING AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY PARTICIPANT, OR ANY OTHER PERSON WHICH IS

NOT SHOWN ON THE REGISTRATION BOOKS OF THE CITY (KEPT BY THE REGISTRAR AND PAYING AGENT) AS BEING A REGISTERED OWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO REGISTERED OWNERS THEREUNDER OR UNDER THE CONDITIONS TO TRANSFERS OR EXCHANGES ADOPTED BY THE CITY; OR OTHER ACTION TAKEN BY DTC AS A REGISTERED OWNER. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE CITY'S OBLIGATIONS UNDER THE ACT AND THE ORDINANCES TO THE EXTENT OF SUCH PAYMENTS.

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

In the event that the book entry only system is discontinued, the City will authenticate and make available for delivery Bonds in the form of registered certificates. In addition, the following provisions would apply to such Bonds: Principal of and interest on the Bonds will be payable in lawful money of the United States of America at the office of the Paying Agent, designated by the City, and interest on the Bonds will be payable by wire transfer or check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the City as of the close of business on the fifteenth day preceding the maturity date.

SECURITY FOR THE BONDS

General Obligations of the City

The Bonds constitute general obligations of the City and the full faith and credit and unlimited taxing power of the City are pledged to the payment of principal of, and interest on the Bonds. The City is authorized and required by law to levy ad valorem taxes on all real property taxable by the City for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount. Payment of such principal and interest is not limited, however, to any particular fund or source of revenue of the City. The City is required to include in its annual municipal budget the total amount of interest and principal charges on all of its general obligation indebtedness for the current year.

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 of Jersey City.

THE CITY OF JERSEY CITY

The City of Jersey City is New Jersey's second largest municipality with a population of 240,055 according to the United States Department of Commerce's 2000 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 INFORMATION REGARDING THE CITY OF JERSEY CITY”.

RECENT FINANCIAL RESULTS AND FINANCIAL OUTLOOK

Financial Overview

APPENDIX A contains information relative to the financial operations of the City. Over the last several years, the City's budget has been constrained because of increases in various operational costs and debt service requirements. The fiscal year that ended June 30, 2010 resulted in an excess of $4,655,609 in operations. The City's unaudited fund balance as of June 30, 2010 was $4,849,359.

Various mandated expenses such as health benefits, pension fund contributions and accumulated absences are having a significant effect on the budget requirements of the City.

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

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 is currently transitioning from a State fiscal year to a calendar fiscal year budget. The 2010 Transition year budget was adopted on September 29, 2010. The Transition year budget anticipates $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.

2006 Results. The City's budget for the 2006 Fiscal Year was introduced on December 14, 2005 and adopted on March 29, 2006. The Municipal tax levy increased from $105 million to $135 million. The City's budget for the 2006 Fiscal Year realized $89,640,042 in State aid.

TAX MATTERS

Federal Income Tax

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Series 2010A Bonds, subject to certain provision of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Series 2010A Bonds, interest received by a holder of the Series 2010A Bonds will be excludable from gross income for federal income tax purposes. However, interest on the Tax Exempt Bonds may become taxable retroactively if certain requirements under the Code are not complied with. Interest received by a holder of the Series 2010A Bonds will not be treated as a preference item for purposes of the alternative minimum tax imposed on individuals and corporations.

The Code contains a number of provisions that apply to the Series 2010A Bonds, including restrictions relating to the use or investment of the proceeds of the Series 2010A Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Series 2010A Bonds to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Series 2010A Bonds not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010A Bonds. The County, among others, has covenanted to comply with these requirements.

The Code imposes an alternative minimum tax on individuals and corporations. Interest received with respect to certain types of private activity bonds issued after August 7, 1986 is considered a tax preference subject to the alternative minimum tax. As the Series 2010A Bonds are not private activity bonds, interest received by individual and corporate holders of the Series 2010A Bonds will not be considered a tax preference item for purposes of the alternative minimum tax for individuals and corporations. However, interest on the Refunding Bonds will be reflected in calculating a corporate holder's alternative minimum tax liability.

The alternative minimum tax is imposed on a corporation to the extent such tax exceeds its regular tax liability, and is calculated at a rate equal to twenty percent (20%) of the amount by which the taxpayer's alternative minimum taxable income exceeds its exemption amount. A $40,000 exemption is provided, but such exemption phases out if the alternative minimum taxable income exceeds $150,000.

A corporation's alternative minimum taxable income will include seventy-five percent (75%) of the amount by which adjusted current earnings of the corporation exceeds alternative minimum taxable income (determined without regard to the 75% adjustment). Interest on Series 2010A Bonds would generally be includable in the adjusted current earnings of a corporate holder, and thus a portion of the interest on the Refunding Bonds held by corporations may be subject to the alternative minimum tax.

Under prior law, banks, thrift institutions and other financial institutions were required to reduce the amount deducted with respect to the interest expense incurred to purchase or carry tax-exempt obligations by 20%. Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred in taxable years ending after December 31, 1986. An exception is provided to the 100% disallowance rule for certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for bonds the proceeds of which refund obligations which are issued after August 7, 1986 and which were designated as qualified tax-exempt obligations. Such obligations will be treated as if they were acquired on August 7, 1986 and will be subject to the 20% disallowance rule. The Series 2010A Bonds will <u>not</u> be designated as qualified under Section 265 of the Code by the County for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

Fifteen percent (15%) of the interest earned on tax-exempt obligations must be used to reduce deductions for losses incurred by property and casualty insurance companies.

In addition, prospective purchasers should be aware that on May 17, 2006, the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). TIPRA amended Section 6049 of the Code to provide that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The provision is effective for interest paid on tax-exempt obligations after December 31, 2005, regardless of when the tax-exempt obligations were issued. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. The new reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of 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, the Internal Revenue Service ("IRS") has established an expanded audit program for Series 2010A Bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Series 2010A Bonds or other Series 2010A Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2010A Bonds. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

[Premium Bonds. The Series 2010A Bonds maturing on November 1 of the years ___ through ___, inclusive, and on ______ (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

Discount Bonds. The Series 2010A Bonds maturing on November 1 of the years _________, inclusive (collectively, the "Discount Bonds") have been sold to the public at an original issue discount. The original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters' and other intermediaries) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bonds is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain.

Under Section 1288 of the Code, original issue discount on Series 2010A Bonds accrues on a compounded basis. The amount of original issue discount that accrues to a holder of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding a the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the holder's adjusted basis (as increased by the amount of original issue discount that has accrued and is treated as tax-exempt interest in such holder's hands), will be treated as gain from the sale or exchange of such Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Discount Bonds should consult their own tax advisors with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.]

Taxable Bonds

As part of the Recovery Act, Congress added provisions to the Code which permit state or local governments to obtain certain tax advantages when issuing certain taxable obligations, referred to as "Build America Bonds" and/or "Recovery Zone Bonds". Build America Bonds and Recovery Zone Bonds must satisfy certain requirements, including that the interest thereon would be, but for the issuer's election to treat such bonds as Build America Bonds or Recovery Zone Bonds, excludable from gross income under Section 103 of the Code.

The City intends to make an irrevocable election to treat the Taxable Bonds as either Build America Bonds or Recovery Zone Bonds. As a result of this election, interest on the Taxable Bonds is not excludable from gross income of the holders thereof for federal income tax purposes and the holders of the Taxable Bonds will not be entitled to any tax credits as a result either of ownership of the Taxable Bonds or of receipt of any interest payments on the Taxable Bonds. The Taxable Bondholders should consult their tax advisors with respect to the inclusion of interest on the Taxable Bonds in gross income for federal income tax purposes.

The following is a general discussion of certain of the anticipated federal tax consequences of the purchase, ownership and disposition of the Taxable Bonds by the original purchasers of the Taxable Bonds. This discussion is based upon the Code, regulations, rulings and decisions now in effect, all of which are subject to change at any time, possibly with retroactive effect, and does not purport to deal with federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. This discussion assumes that the Taxable Bonds will be held as "capital assets" under the Code and that the Taxable Bonds are owned by U.S. Holders (as defined below). Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Taxable Bonds.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a court within the United States and which has one or more United States fiduciaries who have the City to control all substantial decisions of the trust.

INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The City will report annually (or more frequently if required) to owners of record and to the Internal Revenue Service in respect of interest paid on the Taxable Bonds.

Under the Code, payments on the Taxable Bonds may, under certain circumstances, be subject to "backup withholding". This withholding generally applies if the owner (i) fails to furnish such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide such owner's securities broker with a certified statement, signed under penalties of perjury, that the TIN is correct and that such Bondholder is not subject to backup withholding. Owners of the Taxable Bonds should consult their own tax advisors as to their qualification for exemption for backup withholding and the procedures for obtaining the exemption.

U.S. Holders of the Taxable Bonds should be aware that, for federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the ordinances (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes, and for state and local tax purposes.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Taxable Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Taxable Bonds should consult their own tax advisors with respect to the consequences or owning Taxable Bonds, including the effect of such ownership under applicable state and local laws.

IRS CIRCULAR 230 DISCLAIMER REGARDING THE TAXABLE BONDS: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE TAXABLE BONDS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.

State of New Jersey Taxation

Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE OWNERSHIP OF THE BONDS

MUNICIPAL BANKRUPTCY

The Federal Bankruptcy Code permits a municipality or agency that is unable to meet its debts to file a petition for bankruptcy for the purpose of filing a plan to adjust its debts. The petition stays any judicial or other proceeding against the public body. The plan must be approved by creditors holding at least two-thirds of the amount of debts, and more than one-half of the creditors of the bankrupt municipality.

The State of New Jersey has authorized political subdivisions thereof to file such petitions for relief under the Code pursuant to and subject to Article 8 of the New Jersey Municipal Finance Commission Act. That Act provides such petitions may not be filed without the prior approval of the Municipal Finance Commission and that no plan of adjustment of the debt of a municipality may be filed or accepted by the petitioner without express authority from the Commission to do so. It is unclear whether or not the provision of the Act requiring that the plan of adjustment be approved by the Municipal Finance Commission is enforceable.

The above references to the Federal Bankruptcy Code are not to be construed as an indication that the City expects to resort to the provisions of the Federal Bankruptcy Code or that, if it did, such action would be approved by the Municipal Finance Commission, or how any proposed plan would affect the source of payment of and security for the Bonds.

FINANCIAL STATEMENTS OF THE CITY

Appendix B to this Official Statement consists of the City's financial statements for the fiscal year ending June 30, 2009.

UNDERWRITING

The Series 2010A Bonds are being purchased by _________________ (the "Series 2010A Underwriter") at an aggregate price of $__________. The Series 2010A Bonds are being reoffered to the public at a price of $_____________. The Series 2010A Underwriter is obligated to purchase all of the Series 2010A Bonds if any Series 2010A Bonds are purchased.

The Series 2010B Bonds are being purchased by _________________ (the "Series 2010B Bonds Underwriter") at an aggregate price of $__________. The Series 2010B Bonds are being reoffered to the public at a price of $_____________. The Series 2010B Underwriter is obligated to purchase all of the Series 2010B Bonds if any Series 2010B Bonds are purchased.

The Series 2010C Bonds are being purchased by _________________ (the "Series 2010C Bonds Underwriter") at an aggregate price of $__________. The Series 2010C Bonds are being reoffered to the public at a price of $_____________. The Series 2010C Underwriter is obligated to purchase all of the Series 2010C Bonds if any Series 2010C Bonds are purchased

RATINGS

Moody's Investor Service ("Moody's") and FitchRatings ("Fitch") have assigned underlying general obligation credit ratings of "A2" (stable outlook) and "A-" (stable outlook), respectively.

Explanations of the significance of a rating given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007, (212) 553-0300. Explanations of the significance of a rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004, (212) 908-0500. Such ratings express only the views of the ratings agencies. If circumstances so warrant, in the judgment of any of the abovementioned rating agencies, such agency may raise, lower, suspend or withdraw its rating. If a downward change, suspension or withdrawal occurs, it could have an adverse effect on the resale price of the Bonds.

LITIGATION

To the knowledge of the City's Corporation Counsel, there is no litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or the levy or the collection of any taxes to pay the interest on or the principal of 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, or in any way contesting or affecting the validity of the Bonds, the validity of the documents or instruments executed or adopted by the City in connection therewith, or any of the proceedings taken with respect to the issuance and sale of the Bonds. See, however, "APPENDIX A – CERTAIN INFORMATION REGARDING THE CITY OF JERSEY CITY – LITIGATION" for certain information regarding litigation concerning the City.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving legal opinion of Bond Counsel, GluckWalrath LLP, Trenton, New Jersey, whose opinions approving the validity of the Bonds will be delivered with the Bonds. Such opinions will be substantially in the forms included herein as Appendix D.

CONTINUING DISCLOSURE

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the City will deliver concurrently with the delivery of the Bonds, Continuing Disclosure Certificates in substantially the forms annexed hereto as Appendix C (collectively, the "Continuing Disclosure Certificates"). The City has covenanted for the benefit of the Bondholders in accordance with the provisions of the Continuing Disclosure Certificates, to provide or cause to be provided, in accordance with the requirements of the Rule, certain annual financial information and notices of the occurrence of certain enumerated events, if material.

The City has entered into a number of continuing disclosure undertakings in connection with bonds and/or notes issued by the City and the Jersey City Municipal Utilities Authority (the "JCMUA") since July 1996. For nineteen of the twenty-nine long term issues, the City filed copies of its annual financial statements through the fiscal year ending June 30, 2002 with the then three of the four Nationally Recognized Municipal Securities Information Repository (each, a "NRMSIR). However, the City failed to file (i) any of its annual financial statements with one of the then four NRMSIRs in respect to any of the long term issues, (ii) its annual financial statements for the fiscal year ending June 30, 2003 with any of the then NRMSIRs in respect of any of the long term issues (and its annual financial statements for the fiscal year ending June 30, 2002 with two of the then four NRMSIRs), (iii) any of its annual financial statements with any of the NRMSIRs in respect of nine of the long term issues, and (iv) any annual financial information and operating data with any of the then NRMSIRs in respect of any of the long term issues. This noncompliance was brought to the attention of the City, and to cure such noncompliance on August 26, 2004 the City filed its annual financial statements for the fiscal year ending June 30, 2003 and its annual financial information and operating data with each of the four NRMSIRs in respect of each of the long term issues.

In early 2005 the City retained the services of Digital Assurance Certification LLC to assist it in complying with its continuing disclosure undertakings. On March 17, 2010, the City filed all required annual financial information for the fiscal year ending June 30, 2009 to Digital Assurance Certification LLC.

During 2008, various bond insurance companies had been down-rated by the major credit rating services, and certain of such companies had been down-rated a number of times. In March of 2008 and February of 2009 the City provided this information to each National Repository as such information applied to the City. Other than aforesaid, the City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

CLOSING CERTIFICATES

Upon the delivery of the Bonds, the Underwriter(s) will be furnished with the following items: (i) a Certificate executed by the Business Administrator and the Chief Financial Officer of the City (or officers otherwise titled serving in equivalent capacities) to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the City since the date of this Official Statement to the date of issuance of the Bonds, as appropriate, and having attached thereto a copy of this Official Statement, (ii) a Certificate signed by an officer of the City evidencing payment for the Bonds, (iii) a Certificate signed by the Mayor, Business Administrator, Chief Financial Officer and City Clerk evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded, and (iv) a Non-Arbitrage Certificate with respect to the Series 2010A Bonds, executed by the Chief Financial Officer.

MISCELLANEOUS

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof, and no guarantee, warranty, or other representation is made concerning the accuracy or completeness of the information herein other than as stated in Appendix B hereto and the certificates described under the "CLOSING CERTIFICATES." Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions, estimates or projections will be realized. Copies of the City's Independent Auditors' Reports are available for inspection during normal business hours at the office of the Business Administrator.

This Official Statement has been duly approved, executed and delivered by the City.

THE CITY OF JERSEY CITY

By:____
John Kelly, Business Administrator

By: ____
Donna Mauer, Chief Financial Officer

Dated: ____________, 2010

APPENDIX A

CERTAIN INFORMATION REGARDING THE CITY OF JERSEY CITY

THE CITY OF JERSEY CITY

The legislative power of 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, 2009. The current members of the Council, their titles and the year they first took office are shown on the following table:

MUNICIPAL COUNCIL

Name	Title	Month and Year First In Office
Peter M. Brennan	Council President	July 1, 1997
Radames Veazquez, Jr.	Councilperson at Large	September 29, 2010
Willie L. Flood	Councilperson at Large	July 1, 2005
Michael J. Sottolano	Ward A Councilperson	July 1, 2005
David Donnelly	Ward B Councilperson	October 14, 2009
Nidia Lopez	Ward C Councilperson	July 1, 2009
William A. Gaughan	Ward D Councilperson	July 1, 1993
Steven Fulop	Ward E Councilperson	July 1, 2005
Viola Richardson	Ward F Councilperson	July 1, 2001

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:

JERRAMIAH T. HEALY, Mayor

Jerramiah Healy was elected Mayor at a special election held on November 2, 2004 for an unexpired term ending on June 30, 2005, and was subsequently elected for a full term beginning on July 1, 2005. Mayor Healy was reelected for another full term on May 12, 2009 to begin on July 1, 2009. Mr. Healy was born in 1950 to Irish immigrant parents who settled in Jersey City. After graduating from Villanova University and Seton Hall University School of Law, he served as an Assistant Prosecutor for the Hudson County Prosecutor's Office from 1977 to 1981. For the next ten years, Mr. Healy engaged in the private practice of law. During a portion of that time, he also served as an Assistant Corporation Counsel for the City.

In 1991, Mr. Healy was appointed Chief Judge in the Jersey City Municipal Court. As Chief Judge, Mr. Healy supervised nine other municipal court judges and was responsible for restoring a public defender's program that had been disbanded and for reducing a $45 million backlog of parking tickets issued in the City during his term. Mr. Healy resumed the private practice of law in 1997 and was elected to City Council in 2001 (from which he resigned upon being elected Mayor). He also served as counsel for the Hudson County Government's first Ethical Standards Board.

Mr. Healy resides in Jersey City Heights with his wife Maureen, a Registered Nurse at P.S. 12 and the infectious disease nurse for the school district. Their four children were all born, raised and educated in Jersey City.

JOHN KELLY, Business Administrator

John Kelly was appointed Director of the Department of Administration on May 12, 2010. Mr. Kelly received a Masters of Public Administration degree in 1984 from Kean College, where he also earned his bachelor's degree. Mr. Kelly worked for more than eight years as a budget analyst in the County of Essex. Thereafter he joined the City of Orange Township, where he was the Chief Financial Officer and the Director of Finance. In February 2009, Mr. Kelly became the City Administrator for the City of Orange Township. Mr. Kelly is also a Certified Municipal Finance Officer and a Certified Tax Assessor.

ROSEMARY T. MCFADDEN, Mayor's Chief of Staff

Rosemary McFadden received both her BA in Political Science and her MBA from Rutgers University and a JD from Seton Hall Law School. She was appointed Deputy Mayor for Economic Development for the City of Jersey City by Mayor Jerramiah T. Healy on October 1, 2007 soon after retiring from Wall Street. On September 13, 2010, she was appointed by Mayor Healy to the position of Chief of Staff.

Previously Ms. McFadden was the President of the New York Mercantile Exchange - the world's largest energy futures exchange. When elected by the Board of Directors, she was the first woman President of any stock or futures exchange in the United States. Ms. McFadden has also served as Managing Director of DLJ and then Credit Suisse - two major Wall Street firms. Ms. McFadden is Who's Who of American Women and the recipient of numerous awards including the Wall of Honor at Rutgers Business School.

WILLIAM C. MATSIKOUDIS, ESQ., Corporation Counsel

William C. Matsikoudis was appointed Corporation Counsel in November, 2004. Mr. Matsikoudis received a law degree *cum laude* in 1997 from Seton Hall University, where he also earned his bachelor's degree. Mr. Matsikoudis worked for more than three years as an associate specializing in commercial cases at the law firm of Wilentz, Goldman & Spitzer in Woodbridge, New Jersey. Thereafter he joined Governor James McGreevey's staff, where he advised the governor and chief counsel on labor, consumer affairs and commerce legislation. Mr. Matsikoudis left the Governor's office in July, 2003 to become a senior deputy attorney general assisting the director of the civil wing of the Attorney General's Office. In March of 2004, he was assigned to the state Schools Construction Corporation, where he oversaw the awarding of contracts to architects and construction contractors with the $8.6 billion statewide school construction initiative and handled all legal issues related to the SCC.

CARL S. CZAPLICKI, Director of the Department of Housing, Economic Development and Commerce

Carl S. Czaplicki is a graduate of Pace University and a former educator of History and Government. He had worked in the Mayor's Office for over 6 years three of such years he served as the Mayor's Chief of Staff. In addition, Mr. Czaplicki is serving in his second five-year gubernatorial appointment to the Passaic Valley Sewerage Commission and has been its Vice Chairman since 2003. On September 24, 2007, Mr. Czaplicki was appointed Director of the Department of Housing, Economic Development & 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, 2009, the City had 2,852 employees. The following table shows a breakdown of the City's employees over the past five years:

CITY EMPLOYEES

	Permanent	Temporary	Grants/ Enterprise Fund	Water Utility	Total[(1)]
December 31, 2009	2,724	73	45	10	2,852
December 31, 2008	2,764	88	44	12	2,908
December 31, 2007	2,666	122	45	13	2,833
December 31, 2006	2,697	150	67	13	2,914
December 31, 2005	2,615	178	67	13	2,873

(1) Total does not include Seasonal Employees

Approximately 2,400 of the City's employees are represented by one of 11 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 represents approximately one hundred eighty (166) fire officers in the rank of Captain, Battalion Chief and Deputy Chief. A new four year contract was ratified by the City Council at its May 12, 2010 meeting. The agreement calls for a 2.75% salary increase each January 1st for 2009, 2010, 2011 and 2012. The collective bargaining agreement expires December 31, 2012.

LOCAL 1066 represent approximately four hundred fifteen (415) fire fighters. A new four year contract was ratified by the City Council at its May 12, 2010 meeting. The agreement calls for a 2.75% salary increase each January 1st for 2009, 2010, 2011 and 2012. The collective bargaining agreement expires December 31, 2012.

THE POLICE SUPERIOR OFFICERS' ASSOCIATION represents approximately one hundred eighty (180) Superior Officers in the rank of Sergeant, Lieutenant, Captain and Inspector. Last agreement terminated on December 31, 2008. Interest arbitration process completed, awaiting arbitrator's award.

THE POLICE OFFICERS' BENEVOLENT ASSOCIATION represents approximately six hundred and fifty (650) Police Officers and Detectives below the rank of Sergeant. A new four year contract was ratified by the City Council at its May 12, 2010 meeting. The agreement calls for a 2.75% salary increase each January 1st to 2009, 2010, 2011 and 2012. The collective bargaining agreement expires December 31, 2012.

JERSEY CITY SCHOOL TRAFFIC GUARDS ASSOCIATION represents approximately one hundred fifty (150) employees who tend the crosswalks near elementary schools in Jersey City to safely assist children. A successor agreement was reached on November 6, 2006 for a three (3) year contract spanning September 1, 2005 to August 31, 2008. The contract calls for raises of 3.2% each year with effective dates of the raises being September 1, 2005, September 1, 2006 and September 1, 2007. No dates for negotiating successor agreement at this time. Both parties met July 28th, but no agreement was reached. A second meeting will occur in August.

JERSEY CITY SUPERVISORS' ASSOCIATION represents approximately one hundred (100) civilian Supervisors holding titles above the rank of "foremen", but below the level of Division Head. A new three year contract was ratified by the City Council at its June 9, 2010 meeting. The agreement calls for salary increases of $1,300.00 effective July 1, 2008; July 1, 2009; and July 1, 2010.

JERSEY CITY PUBLIC EMPLOYEES, LOCAL 245, represents approximately two hundred (200) foremen and their subordinates, in the Department of Public Works and the Department of Recreation. A new three year contract was ratified by the City Council at its May 12, 2010 meeting. The agreement calls for increments of $1,000 effective July 1, 2008; $1,000 effective July 1, 2009; and $0 effective July 1, 2010. The collective bargaining agreement expires June 30, 2011.

JERSEY CITY PUBLIC EMPLOYEES, LOCAL 246, represents approximately five hundred (500) 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 Police (non-uniformed). An agreement which spans the time period of July 1, 2008 to June 30, 2011 was ratified by the City at its March 10, 2010 meeting. The agreement calls for increments of $1,000 effective July 1, 2008, $1,000 effective July 1, 2009 and $1,000 effective July 1, 2010.

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 27,911 students as of February 28, 2010. 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 2009 the school district had 5,490 full-time employees. The school system currently includes 26 elementary schools, five middle schools, six high schools, one Regional day and 2 adult education schools.

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 and solid waste disposal is provided by the Jersey City Incinerator Authority. On December 10, 1997, the Jersey City Sewerage Authority was reorganized to form the Jersey City Municipal Utilities Authority (the "MUA"). On January 15, 1998, the City and the MUA executed a Franchise and Service Agreement pursuant to which the MUA assumed operation of the City's Water Utility until January 31, 2008. In May 2003, the City and the MUA executed an amended and restated franchise and service agreement pursuant to which the MUA'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 Municipal Budget of the City is prepared for the Mayor by the Business Administrator and Budget Director. 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 is currently transitioning from a State fiscal year to a calendar fiscal year. Under State law, the City will be 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 fiscal year 2009, the budget was introduced on February 9, 2009 and was adopted on May 7, 2009. For fiscal year 2010, the budget was introduced on January 13, 2010 and adopted on April 21, 2010. For transition year 2010, the budget was introduced on August 30, 2010 and adopted on September 29, 2010. See “RECENT FINANCIAL OUTLOOK – Financial Results - - 2010 Fiscal Year Budget.”

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 fiscal year (July 1 through September 30) is equal to one-fourth of the annual budget for the preceding fiscal year. If a budget for a fiscal year is not adopted by September 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.

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, 2009, the fair[1] value of units in the Cash Management Fund was $14.537 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.

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

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.

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 will be amortized over five 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. From June 30, 2009 to June 30, 2010 total debt as a percentage of the equalized value of the City consists of 1.93% and 2.19%, respectively. 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 Fiscal Year ended June 30, 2009, the City's statutory debt was 1.93% of its equalized valuation basis and for Fiscal Year ended June 30, 2010, the City's statutory debt was 2.19%. The change is due in part to an increase in the equalized valuation of real property in the City in the past three years and the increase is expected to continue in the years ahead.

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 June 30, 2010, $22,918,772 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 8% 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 June 30, 2010 was $913,847,974, only $490,580,669 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 June 30, 2010

Gross Debt:		
School Purposes:		
Issued and Outstanding:		
Bonds	$89,660,000	
Authorized But Not Issued	6,216,026	
Total School		$95,876,026
Municipal Purposes:		
Issued and Outstanding:		
Bonds	451,968,700	
Green Trust Loan	1,694,042	
Demolition Loan	74,400	
Hudson County Improvement Authority Pooled Loan and Notes	37,342,667	
Refunding Tax Appeal Notes	22,918,772	
Authorized But Not Issued	112,908,410	
Total Municipal		626,906,991
Issued by Public Bodies Guaranteed by the Municipality:		
Jersey City Municipal Utilities Authority		191,064,957
Total Gross Debt		$913,847,974
Statutory Deductions:		
For School Purposes - Statutory 8%	$ 87,462,400	
For School Purposes - State School Aid Bonds (Chapters 177, 10 and 74)	8,413,626	
For Jersey City Municipal Utilities Authority - Water	70,057,530	
For ERI Pension Refunding	43,350,000	
For Bonds Issued by Public Bodies Guaranteed by the Municipality	191,064,957	
For Refunding Tax Appeal Notes	22,918,772	
Statutory Deductions		423,267,285
Statutory Net Debt		$490,580,689
Statutory Net Debt Percentage		2.19%

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 June 30, 2010

	Gross Debt	Deductions	Net Debt
School Purposes	$ 95,876,026	$ 95,876,026	$ --
Municipal Purposes	626,906,991	136,326,302	490,580,689
Other Public Bodies Guaranteed by City	191,064,957	191,064,957	-0-
Total	$913,847,974	$423,267,285	$490,580,689

Average Equalized Valuation of Real Property (Yrs. 2007 – 2009)	$22,377,821,456
Statutory Net Debt	2.19%
Debt Limitation Per N.J.S.A. 40A:2-6 (Municipalities – 3.50% of Three Year Average Equalized Valuation)	$783,223,751
Total Net Debt	$490,580,689
Remaining Net Debt Capacity	$292,643,062

Source: Derived from the Annual Debt Statement of the City for fiscal year ended June 30, 2010.

The table below outlines the total debt of the City and sets forth the amount that the debt represents per capita for the 2006 through 2010 fiscal years ending June 30.

	June 30 2010	June 30 2009	June 30 2008	June 30 2007	June 30, 2006
Gross Debt[(1)]	$913,847,974	$862,200,709	$843,030,089	$810,804,740	$789,439,334
Net Debt Statutory[(2)]	490,580,689	416,021,453	391,111,859	369,628,878	339,025,289
Population[(3)]	240,055	240,055	240,055	240,055	240,055
Gross Debt per Capita	3,807	3,592	3,512	3,378	3,289
Net Debt per Capita	2,044	1,733	1,629	1,540	1,412
Net Debt - Statutory Percentages	2.19%	1.93%	2.05%	2.34%	2.68%

(1)(2) The figures representing Gross Debt and Net Debt Statutory are derived from the Annual Debt Statements for Fiscal Years 2006 through 2010.

(3) Source: U.S. Department of Commerce, Bureau of the Census, 2005 for Fiscal Years 2010.

The following table lists the total bonded debt of the City for the five fiscal years ending on June 30, 2010

	June 30, 2010	**June 30, 2009**	**June 30, 2008**	**June 30, 2007**	**June 30, 2006**
Bonds:					
General	$403,378,700	$404,386,687	$370,245,639	$347,427,582	$314,664,582
School	89,660,000	100,745,000	110,755,000	120,930,000	113,765,000
Water[(1)]	48,590,000	52,305,000	56,160,000	59,935,000	58,070,000
Other	191,064,957	197,555,214	208,029,674	183,337,306	183,235,491
Total Outstanding Bonds	$732,693,657	$754,991,901	$745,190,313	$711,629,888	$669,735,073
Notes:					
General	58,094,772	20,540,486	12,253,000	16,064,000	19,415,000
School	-0-	-0-	-0-	-0-	17,050,000
Water	-0-	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-	-0-
Total Outstanding Notes	$58,094,772	$ 20,540,486	$12,253,000	$16,064,000	$36,465,000
Total Bonds and Notes Issued and Outstanding	$790,788,429	$ 775,532,387	$757,443,313	$727,693,888	$706,200,073
Bonds and Notes Authorized but Not Issued					
General	91,440,882	50,525,882	49,747,602	49,786,091	50,031,091
School	6,216,026	6,216,026	6,216,026	6,216,026	6,216,026
Water[(1)]	21,467,528	25,467,528	25,467,530	25,467,530	25,467,530
Other	-0-	-0-	-0-	-0-	-0-
Total Bonds and Notes Authorized But Not Issued	$119,124,436	$82,209,436	$81,431,158	$81,469,645	$81,714,647
Total Issued and Outstanding, and Authorized But Not Issued	$909,912,865	$857,741,823	$838,874,471	$809,163,533	$787,914,718

Source: Derived from the Annual Debt Statements for Fiscal Years 2006 through 2009 and 2010 Unaudited Annual Financial Statement.
(1) This total includes only Capital Debt; therefore loans and bonds – Refunding that are reflected in the Annual Debt Statement are not included here.

Included in the debt shown on this table are $22.918 million of tax appeal refunding notes issued by the City and outstanding as of June 30, 2010. The following table sets forth the amount of tax appeal refunding notes that were issued and outstanding in each of the five years preceding such date. See "CITY REVENUES – Equalization Rate and Tax Collection Rates" herein.

Real Property Tax Appeal Refunding Notes Outstanding

Fiscal Year	Amount Issued[1]	Balance as of June 30
2010	$7,201,450	$22,918,772
2009	11,471,819	20,540,486
2008	2,200,000	12,253,000
2007	3,500,000	16,064,000
2006	3,755,000	18,095,000

Source: Derived from the 2006- 2009 Annual Financial Statement and 2010 Unaudited Annual Financial Statement.
(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 five years through June 30, 2010. The Hudson County debt overlap was 34.13% in 2010, 32.89% in 2009, 33.73% in 2008, 27.97% in 2007 and 26.18% in 2006 the overlap for all other debt was 100%. The City's percentage of overlap for Hudson 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 Hudson County, plus the true value of real property in Hudson County. Overlapping debt is debt for which the City is not required to levy taxes.

Schedule of Overlapping Debt [1]

	June 30 2010	June 30 2009	June 30 2008	June 30 2007	June 30 2006
Jersey City Municipal Utilities Authority[a]	$191,064,957	$197,555,214	$208,029,674	$183,337,306	$183,235,491
Hudson County[2]	246,977,434[3]	238,032,143[4]	113,136,319[5]	93,803,294[6]	81,219,793[7]
TOTAL	$438,042,391	$435,587,357	$321,165,993	$277,140,600	$264,455,284

Source: Derived from the 2006-2009 Audited Financial and 2006-2010 Annual Debt Statements of the County listed above.
(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 34.13% of the total County Gross Debt of $723,708,316.
(4) This figure represents 32.89% of the total County Gross debt of $723,708,316.
(5) This figure represents 33.73% of the total County Gross debt of $335,369,859.
(6) This figure represents 27.97% of the total County Gross debt of $335,369,859.
(7) This figure represents 26.18% of the total County Gross debt of $310,231,617.

The table below lists the principal and interest repayment schedule on all outstanding bonds of the City prior to the issuance of the Notes from 2011 through 2034.

Combined Principal and Interest Repayment Schedule
Outstanding Bonds of the City
As of June 30, 2010

FISCAL YEAR	Total	General	FYABS	Pension	School	Water
2011	$53,401,353	$19,965,925	$10,280,625	$2,364,436	$15,067,025	$5,723,341
2012	55,228,919	26,849,543	6,891,606	2,974,436	13,849,981	5,663,353
2013	55,257,564	27,365,734	6,873,458	3,115,211	12,436,144	5,467,018
2014	55,095,620	29,188,431	6,870,052	3,277,843	10,492,594	5,266,701
2015	55,114,450	30,004,903	6,875,189	3,449,735	10,380,394	4,404,229
2016	55,164,104	31,086,370	6,878,055	3,589,401	10,062,294	3,547,985
2017	55,162,995	29,622,755	6,877,824	3,757,082	10,362,413	4,542,923
2018	55,279,748	37,257,140	1,550,692	3,941,338	7,141,469	5,389,110
2019	55,162,463	35,215,623	1,548,690	7,378,377	5,655,156	5,364,616
2020	55,255,434	40,136,758	1,556,626	4,089,529	5,375,856	4,096,666
2021	55,011,456	42,513,897	1,549,607	4,242,985	3,041,613	3,663,355
2022	55,008,038	44,030,831	0	4,440,491	2,950,619	3,586,097
2023	33,102,831	25,022,065	0	4,728,791	1,261,681	2,090,294
2024	20,900,657	14,636,933	0	4,166,531	1,259,194	838,000
2025	11,229,945	7,976,645	0	1,519,400	1,260,056	473,844
2026	7,239,173	3,873,653	0	1,633,177	1,259,063	473,281
2027	7,352,500	3,865,828	0	1,758,491	1,256,213	471,969
2028	6,219,254	3,855,098	0	1,894,250	0	469,906
2029	6,340,653	3,834,323	0	2,034,362	0	471,969
2030	3,372,746	715,519	0	2,183,008	0	474,219
2031	3,188,929	378,005	0	2,339,096	0	471,828
2032	3,358,681	378,475	0	2,506,534	0	473,672
2033	3,526,567	372,860	0	2,683,957	0	469,750
2034	841,223	371,160	0	0	0	470,063

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 the Fiscal Year 2010, the City paid $5,975,629 for debt service on real property tax appeal refunding notes. For Fiscal Year 2010, the City budgeted $7,409,331 for debt service on 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 2008 and 2009, JCMUA contributed $3,011,965 and $3,115,584, respectively. The Jersey City Municipal Utilities Authority contributed $2,730,857 in 2010.

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 Jersey City Incinerator Authority (the "Incinerator Authority") have entered into a Service Agreement pursuant to which the Incinerator Authority 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 Incinerator Authority does not collect service fees from individual property owners.

The City appropriated $32,100,000 for Fiscal Year 2007, $32,100,000 in Fiscal Year 2008, $32,100,000 in Fiscal Year 2009 and $28,000,000 in Fiscal Year 2010 to the Incinerator Authority.

Jersey City Municipal Utilities Authority. The Jersey City Municipal Utilities Authority, formerly the Jersey City Sewerage Authority (the "Municipal Utilities 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 Municipal Utilities Authority 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 Municipal Utilities Authority, for which the Municipal Utilities Authority 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 Municipal Utilities Authority's lines, and have agreed to share the costs of the common portions used by them.

The indebtedness of the Municipal Utilities Authority as of December 31, 2009 was $191,064,957 audited. The Municipal Utilities Authority imposes user charges on all sewer users in its service area, at the rate of $3.25 per 100 cubic feet of water consumption. The Municipal Utilities Authority imposes user charges on all water users in its service area, at the rate of $3.33 per 100 cubic feet of water consumption. As of January 1, 2010 rates for sewer and water increased to $4.70 and $3.45 respectively. From its user charge revenues, the Municipal Utilities Authority is required to pay its debt service costs and operating costs of the pumping stations and collector system. The Municipal Utilities Authority 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 Municipal Utilities Authority, dated as of December 1, 1985 (the "Sewer Service Agreement"), the City is obligated to pay to the Municipal Utilities Authority any amounts by which the Municipal Utilities Authority's sewer operating expenses and amounts required to be paid or set aside under the Municipal Utilities Authority's bond resolution for its sewer bonds exceed the Municipal Utilities Authority's revenues from user charges. The Municipal Utilities Authority 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 Municipal Utilities Authority (the "Authority"). The Authority 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 Authority 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 Authority related to the Water System.

The Authority 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 Authority 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 Authority which are issued for or with respect to the Water System for the extended franchise period.

In September 2005, the City and the Authority 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 Authority. Pursuant to the Water Franchise Agreement, the Authority 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 Authority and to provide for the payment annually, if necessary, of any deficiencies in Water Revenues of the Authority 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 Authority'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 Authority 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 Authority 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 Authority under the Water Franchise Agreement. The Authority 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 Authority 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 Authority 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 of Hudson (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 which were financed in recent years include a County Correctional Facility. 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, 2009 was $723,708,316 and its net statutory debt was $260,680,563.

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.

For the fiscal year ending June 30, 2010, the City's total debt service on bonds entitled to the benefits of the Municipal Qualified Bond Act was $36,698,882. State aid is distributed by the State to the City on a "phased aid" schedule. For the fiscal year ending June 30, 2010, the City received payments from the State in July, August, September, October, November and December of 2009 and June of 2010. The City received a total of $79,323,717 in municipal qualified revenues appropriated by the State to the City in the fiscal year ending June 30, 2010.

Qualified Revenues:	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Legislative Initiative Municipal Block Grant Program:	$ --	$ --	$999,914	$999,914	$999,914
Energy Receipt Tax:	34,736,189	38,590,455	35,849,208	33,980,292	32,517,026
Consolidated Municipal Property Tax Relief Act:	42,604,438	40,733,262	44,483,346	46,352,262	47,815,528
Total Qualified Revenues:	$77,340,627	$79,323,717	$81,332,468	$81,332,468	$81,332,468
Debt Service:					
General Improvement Bonds:	$30,830,103	27,565,036	24,166,380	15,683,796	28,576,846
Water Bonds:	5,868,779	6,199,592	6,282,163	6,092,673	6,894,305
Total Debt Service:	$36,698,882	$33,764,628	$30,448,543	$21,776,469	$35,471,151
Coverage Ratio:	2.11	2.32	2.67	3.73	2.29

Source: Derived from the 2006-2009 Audited Financial Statements and 2010 Unaudited Annual Financial Statement.

The City has outstanding bonds and loans for municipal purposes which are not entitled to the benefits of the Municipal Qualified Bond Act. The debt service for the Fiscal Year ending June 30, 2009 was $3,687,826 for such bonds and $637,247 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.

For the Fiscal Year ending June 30, 2010, the City's total debt service on bonds entitled to the benefits of The School Qualified Bond Act was approximately $15,920,540. The school district received approximately $472,294,327 in State school aid for Fiscal Year 2010.

	June 30, 2009	**June 30, 2009**	**June 30, 2008**	**June 30, 2007**	**June 30, 2006**
Qualified School Revenues:	$472,294,327	$472,186,174	$425,602,998	$422,879,564	$430,410,346
Total School Debt Service:	$15,920,540	15,375,919	15,991,832	14,903,857	14,694,750
Coverage Ratio:	29.67	30.71	26.61	28.37	29.29

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 Statement 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 Fiscal Year ended June 30, 2009 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 of Jersey 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 Years 2005 through 2009. 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 2006 through 2010, and the amounts included in the budget for each succeeding year are shown below:

Fiscal Year Ending	Current Fund Fund Balance	Used in Succeeding Year Budget
June 30, 2010	$4,849,359	N/A
June 30, 2009	12,289,750	$12,096,000
June 30, 2008	14,794,688	14,019,500
June 30, 2007	12,537,196	10,320,500
June 30, 2006	19,385,826	19,355,903
June 30, 2005	8,629,325	7,050,825

Source: Derived from the 2006 - 2009 Audited Financial Statements and 2010 Unaudited Annual Financial Statement.

The following table summarizes the Current Fund revenues for the fiscal years 2006 through 2010 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 fiscal years 2006 through 2010 and show the operations and changes in the Current Fund over the past five fiscal years.

Current Fund Revenues
(Net of County and School Taxes)
In Thousands[1]

	Fiscal Year Ended June 30, 2010		Fiscal Year Ended June 30, 2009		Fiscal Year Ended June 30, 2008		Fiscal Year Ended June 30, 2007		Fiscal Year Ended June 30, 2006	
	Budgeted	**Realized**	**Budgeted**	**Realized**	**Budgeted**	**Realized**	**Budgeted**	**Realized**	**Budgeted**	**Realized**
Fund Balance Utilized	$12,096	$12,096	$14,019	$14,019	$10,320	$10,320	$19,356	$19,356	$ 7,051	$7,051
Municipal Levy	185,059	184,511	151,215	153,282	151,199	151,044	140,202	137,018	130,406	134,656
Addition to School Tax Levy	7,507	7,507	7,269	7,269	7,669	7,669	7,058	7,058	7,691	7,691
Delinquent Taxes	564	415	931	555	734	1,329	882	873	963	1,130
Miscellaneous Revenue Anticipated:										
Building Aid Allowance for Schools	8414	8,414	8,107	8,107	8,323	8,323	8,611	8,611	8,165	8,165
Consolidated Municipal Property Tax Relief Aid	34,736	34,736	40,733	40,733	44,483	44,483	46,352	46,352	47,816	47,816
Municipal Block Grant Program	--	--	--	--	999	999	999	999	999	999
Miscellaneous	190,430	187,995	196,809	192,136	198,157	198,636	172,688	177,896	176,182	181,205
Energy Receipt Tax	42,604	42,604	38,590	38,590	35,849	35,849	33,980	33,980	32,517	32,517
Municipal Utilities Authority Franchise	16,000	16,000	13,000	13,000						
Special Municipal Aid	14,000	14,000	5,000	5,000	8,000	8,000				
Total Miscellaneous Revenue Anticipated	**306,184**	**303,749**	**302,239**	**297,566**	**305,810**	**306,291**	**275,630**	**280,838**	**279,679**	**284,702**
Unanticipated Revenues (Non Budget)	**--**	**3,987**	**0**	**3,458**	**0**	**3,498**	**0**	**2,784**	**0**	**2,911**
Total Revenues	**$511,410**	**$512,265**	**$475,673**	**$476,149**	**$475,733**	**$480,151**	**$443,128**	**$447,927**	**$425,790**	**$438,141**

Source: Derived from the 2006- 2009 Audited Financial Statements and 2010 Unaudited Annual Financial Statement.
(1) Includes amendments to the budget subsequent to adoption, such as grant awards.

Appropriations[1]
In Thousands

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006
Operating Expenses					
Salaries and Wages..........	$209,350	$210,683	$199,406	$188,950	$189,700
Pensions..........................	27,622	26,770	39,004	27,082	18,833
Health Benefits................	63,532	68,089	55,379	57,864	54,200
Deferred Charges.............	315	353	369	917	315
Other Expenses................	156,176	119,134	126,121	121,545	102,003
Reserve for Uncollected Taxes	1,692	1,504	1,581	1,465	1,583
Total....................................	$458,687	$426,533	$421,860	$397,823	$366,634
Capital Debt Service..........	30,825	24,152	22,063	19,449	27,580
School Debt Service	15,921	15,376	15,992	15,669	15,856
Tax Refunds and Operational Debt Service[2]	5,976	9,612	15,818	10,188	15,720
Total..................................	$511,409	$475,673	$475,733	$443,129	$425,790

Source: Derived from the 2006- 2009 Audited Financial Statements and 2010 Unaudited Annual Financial Statement.
[1] Excluding grants awarded and amendments after budget adoption.
[2] 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

	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Revenue and Other Income Realized:					
Fund Balance Utilized	$12,096	$14,020	$10,320	$19,356	$7,051
Miscellaneous Revenue Anticipated	303,749	297,566	306,291	280,838	284,703
Current Year Taxes	376,140	337,383	330,669	305,348	284,081
Delinquent Taxes	415	555	1,329	873	1,130
Non-Budget Revenue	3,987	3,458	3,498	2,784	2,911
Other Credits to Income:					
Appropriations Canceled		280	0	0	63
Unexpended Balance of Appropriations	3,608				
Reserves		7,465	7,051	6,606	6,767
Cancellation of Reserves		477	0	0	
Cancellation of Contracts Payable & Checks	386	238	513	1,356	552
Miscellaneous	682	2,911	290	0	0
Interfunds Liquidated	9	106	412	1	46
Total Revenue and Other Income Realized	$701,072	$664,459	$660,373	$617,162	$587,304
Expenditures:					
Budget and Emergency Appropriations:					
Appropriations Within "CAP" Operations:					
Salaries and Wages	209,350	210,511	199,406	188,950	189,125
Other Expenses	246,786	136,367	136,671	139,161	61,798
Deferred Charges and Statutory	315				
Expenditures		26,770	9,898	7,778	6,824
Judgments and Settlements		0	0	0	50
Appropriations Excluded from "CAP" Operations:					
Salaries and Wages		0	0	0	575
Other Expenses	886	44,505	71,201	59,176	105,178
Capital Improvements	544	2,250	2,802	650	1,200
Municipal Debt Service	36,801	38,089	37,882	29,637	43,300
Deferred Charges -- Municipal		300	300	643	300
Local School District Purposes	15,921	15,376	15,992	15,669	15,856
Reserve for Uncollected Taxes	1,692	1,504	1,581	1,465	1,583
Judgments and Settlement		0	0	0	0
School Taxes	93,012	86,122	82,810	79,625	72,094
County Taxes	90,821	90,059	83,872	78,607	67,412
Amount Due County on Added	289				
& Omitted Taxes		651	5,274	3,040	2,228
Miscellaneous		431	0	103	1,974
Interfund Created		9	106	151	0
Total Expenditures	696,417	652,944	$647,795	$604,655	$569,497
Excess (Deficit) in Revenue	4,655	11,514	12,578	12,507	17,807
Fund Balance Beginning of Year	12,290	14,795	12,537	19,386	8,630
Decreased By:		26,309			
Amount Utilized as Anticipated Revenue	12,096	14,019	10,320	19,356	7,051
Fund Balance, End of Year	4,849	$12,290	$ 14,795	$ 12,537	$ 19,386

Source: Derived from the 2006 – 2009 Audited Financial Statements and 2010 and Unaudited Annual Financial Statement.

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 46% of total revenues in the 2009 fiscal year while Federal and State aid, including unrestricted aid and categorical grants, provided 54%. 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 34% of its total revenues for the 2009 Fiscal Year 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

Year	Total	Municipal	Percent of Total	County	Percent of Total	County Open Space Tax	Percent of Total	School	Percent of Total
2009	$60.01	$28.58	47.62%	$14.70	24.50%	$0.40	0.67%	$16.33	27.21%
2008	$55.52	$25.39	45.73%	$14.33	25.81%	$0.39	0.7%0	$15.41	27.76%
2007	$55.49	$25.47	45.90%	$14.11	25.34%	$0.36	0.65%	$15.55	28.02%
2006	$51.75	$23.73	45.86%	$13.04	25.20%	$0.30	0.57%	$14.68	28.37%
2005	$46.05	$19.30	41.91%	$11.94	25.93%	$0.24	0.52%	$14.57	31.64%

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 6 calendar years.

Assessed Valuations

Year	Land	Improvements	Land and Improvements	Personal Property	Net Valuation Taxable[1]	Equalization Ratio	Equalized Valuation of Taxable Real Property
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	$6,134,633,127	$17,294,746	$5,953,809,573	25.64	23,170,628,705
2007	1,485,182,748	4,411,479,705	5,896,662,453	18,737,661	5,716,019,239	26.12	21,830,688,572
2006	1,479,488,484	4,370,809,817	5,850,298,301	22,218,911	5,688,616,337	28.71	19,814,058,993
2005	1,474,394,643	4,301,421,705	5,775,816,348	30,429,157	5,440,421,373	34.59	15,758,736,104
2004	1,474,137,331	4,149,928,039	5,624,065,370	34,614,771	5,291,904,295	44.01	12,058,937,186

Source: The City of Jersey City, Office of the Tax Assessor
(1) 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 $7.0 million, $3.7 million, $3.5 million, $2.2 million and 11.4 million in 2005 through 2009, respectively. The City is authorized to issue bonds to reimburse itself for payments made pursuant to successful tax appeals. 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 Fiscal Year ending June 30, 2009 was 99.90%.

Analysis of Real Estate Tax Billings and Collections

Tax Billings	June 30 2010	June 30 2009	June 30 2008	June 30 2007	June 30 2006
Municipal	192,017,565	$161,194,857	$158,523,545	$146,721,000	$139,616,751
School	93,012,049	86,122,268	90,478,457	79,624,878	79,785,388
County	91,110,417	90,710,198	89,145,969	81,646,347	69,640,011
Total Billings	$376,140,031	$338,027,323	$338,147,971	$307,992,325	$289,042,150
Taxes Collected	375,292,278	337,689,297	336,990,323	306,654,344	288,694,300
Percent Collected	99.77%,	99.900%	98.46%	99.57%	99.88%
Taxes Canceled or Remitted	949,404	188,791	164,480	282,025	0
Delinquent Taxes Collected, Including Liens	414,801	555,259	1,329,277	873,239	1,129,718
Total Current and Delinquent Collected	375,707,079	338,244,556	338,319,600	307,527,583	289,824,108
Percent Collected(1)	100.115%	99.936%	99.90%	99.85%	100%
Delinquent Tax Balance Current Year	104,709	83,308	104,208	89,693	64,147
Prior Year's Tax Balance	6,170	2,892	45,814	4,784	162,551
Taxes Receivable Balance	110,879	86,200	150,022	94,477	453,396
Transferred to Tax Title Liens Current Year	190,177	65,927	69,460	91,709	98,404
Tax Title Lien Balance	318,748	1,319,851	1,962,730	2,088,745	2,596,523
Foreclosed Property Balance	2,300,600	2,300,600	2,318,400	3,619,107	2,345,100

Source: Derived from the 2006 – 2009 Audited Financial Statements and 2010 Unaudited Annual Financial Statement.

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

No one taxpayer is responsible for more than $4.2 million of real property taxes, and the ten entities that paid the most real property taxes in 2010 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

Name	Type of Business	2009 Assessed Valuations
Mack Cali	Office	$232,009,800
Newport	Development	214,043,150
Wells Reit Financial Tower	Office	48,467,300
BBV US R.E. Fund	Office	47,242,300
RREEF America REIT	Warehousing	37,078,100
Evergreen America Corporation	Shipping	35,638,300
Public Service	Utility	33,560,900
Hudson Mall	Shopping Center	25,634,000
Liberty National/New Liberty	Development	22,618,400
Verizon	Utility	21,259,721

Tax-Exempt Properties. As of June 30, 2010, approximately 42.92% 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

	2009 Assessed Valuation
Public Schools	$ 276,760,400
Schools Other Than Public	73,669,400
Public Property	1,394,254,400
Church and Charities	225,951,550
Cemeteries	35,220,800
Miscellaneous (includes Jersey City Redevelopment Agency, Jersey City Parking Authority and Jersey City Housing Authority)	2,424,639,298
Total:	$4,430,495,848

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

Year Ending	PILOT
June 30, 2010	$88,338,511
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
June 30, 1999	28,097,000
June 30, 1998	26,425,562
June 30, 1997	22,572,906

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 Fiscal Year 2010.

Five Largest PILOT Payers

Name	Fiscal Year 2009 Payment Amount	Fiscal Year 2010 Payment Amount
Newport Office Center III/VII	$7,900,226	$7,904,665
Port Liberte	5,868,091	6,034,894
Cali Harbor IV/V	4,860,652	4,103,523
Tower of America	3,304,652	3,181,800
30 Hudson Street	3,020,880	3,446,702
TOTAL	$24,774,501	$24,671,584

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 for fiscal years 2005 through 2009 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. The amount of delinquent taxes represents an aggregate amount of unpaid taxes for all prior years.

Delinquent Taxes and Tax Title Liens

Year Ending	Balance of Delinquent Taxes at Start of Year	Budgeted Amount of Delinquent Taxes to Be Collected	Percent of Delinquent Taxes Budgeted to be Collected	Amount of Delinquent Taxes Collected	Percent of Delinquent Taxes Collected
June 30, 2010	$1,406,051	$ 564,154	40.12%	$414,801	29.50%
June 30, 2009	2,112.752	930,806	44.06	555,259	26.29
June 30, 2008	2,183,222	734,292	33.63	1,329,277	60.89
June 30, 2007	2,596,523	882,421	33.98	873,239	33.63
June 30, 2006	2,921,182	963,280	32.98	1,129,718	38.67

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 2009 and 2010 the City sold an aggregate of $4,365,955 and $3,854,856 of tax title lien certificates.

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.

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 program 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 Jersey 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
(For Fiscal Years Ending June 30th)

	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Urban Enterprise Zone Funds	$8,050,236	$7,347,455	$6,609,065	$7,726,661	$7,425,749
Energy Receipt Tax	34,736,189	38,590,455	35,849,208	33,980,292	32,195,205
Distressed Cities Program[1]	14,000,000	5,000,000	8,000,000	0	0
Building Aid Allowance for School[2]	8,413,626	8,108,844	8,323,248	8,610,572	8,165,166
Legislative Initiative Municipal Block Grant Program		--	999,914	999,914	999,914
Consolidated Municipal Property Tax Relief Act	42,604,438	40,733,262	44,483,346	46,352,262	47,815,528
Homeland Security Assistance			140,000	140,000	140,000
TOTALS:	$107,804,487	$99,780,016	$104,404,781	$97,809,701	$96,741,562

Source: Energy Receipt Tax, Distressed Cities Program, Building Aid Allowance for School, Legislative Initiative Municipal Block Grant Program and Consolidated Municipal Property Tax Relief Act - Derived from the 2006 - 2009 Audited Financial Statements and 2010 Unaudited Annual Financial Statement. Urban Enterprise Zone Fund, New Jersey Department of Commerce and Economic Development, Division of New Jersey Urban Enterprise Zones.

(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.

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 June 23, 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 2009-2010, the school district received Equalization Aid (formerly known as Core Curriculum Standards Aid) in the amount of $277,385,300.

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 of Jersey City consolidated the General Assistance Program into the County of Hudson'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 fiscal year ending June 30, 2010, appropriations for public safety personnel equaled 31.82% of the budget, and statutory expenditures were 6.84% of the budget as adopted. The remaining 61.53% 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 fiscal years 2010 to 2015, inclusive, the City expects to appropriate approximately $20 to $30 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 fiscal years 2010 to 2015, 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, fiscal years 2009 through and including 2014, will be $130 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 52 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 January 31, 2008, and currently bills all of the users of the Water System. The City has estimated that additional 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 2008) of approximately $35 million 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 and temporary employees with one year's service and who were age 39 or younger when commencing employment with the City are required to enroll in the Jersey City Employees' Retirement System 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 December 2, 2008 with respect to the condition of the Jersey City Employee's Retirement System as of January 1, 2008, the Actuary reported:

"On the basis of the valuation, it is recommended that the City contribute to the system 3.91% of the salaries of the members as well as an accrued liability contribution of $4,073,310 for 2008 payable as of December 31, 2008. The accrued liability contribution will increase 4% per 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 fiscal years ending June 30, 2006 through 2010.

City Contributions to Employee Pensions

	JUNE 30, 2010	JUNE 30, 2009	JUNE 30, 2008	JUNE 30, 2007	JUNE 30, 2006
State of New Jersey					
Public Employees' Retirement System	$1,187,712	$1,156,824	$1,381,276	$801,048	$298,761
Consolidated Police and Firemen's Pension Fund	122,607	227,435	315,220	498,283	575,000
Police and Firemen's Retirement System of New Jersey	15,862,058	15,325,656	27,999,000	18,673,706	11,760,857
City of Jersey City					
Municipal Employees' Pension Fund	5,635,937	5,230,349	4,841,949	2,570,955	2,490,940
Employees Non-Contributory Pension (R.S. 43:8 B-1)	247,812	280,882	284,634	465,257	328,298
Pensioned Employees (R.S. 43:4-1)	99,972	99,927	112,472	130,180	162,916
Payments to Widows & Dependents-Members of Police & Fire Depts.	720	720	720	720	720
TOTAL	$23,176,818	$22,321,793	$34,935,271	$23,140,149	$15,617,492

Source: The City of Jersey City, Pension Office.

See Note 6 to the 2009 Audited Financial Statements set forth in Appendix B hereto for a more detailed discussion of the City's pension plans. The City’s total contribution to employee pensions appropriated in the fiscal year 2010 Budget is $23,176,818.

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 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. 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 $5 million coverage with a $250,000 self-insured retention for each covered event.

In 2007, 168 notices of claim were filed with the City of Jersey City under the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq.; in 2008, 125, in 2009, 122 and in 2010, 33 to date. Such claims are a notice of an intent to sue for bodily injury and damage to property required by New Jersey law. With limited exceptions, they must be filed within 90 days of the occurrence which gives rise to the claim.

Pending Claims and Litigation

The following information has been compiled as of October 19, 2010, which could result in liability in excess of $1,000,000:

Paris Wilson v. City of Jersey City et al. In September 2005, three children and their mother were stabbed by the mother's brother in an apartment, resulting in the death of the mother and two children and alleged serious permanent injuries to the surviving child. A complaint filed on behalf of the estate alleges that the Jersey City Police Department did not respond to a 911 call by a third party while the crime was in progress. An investigation conducted by the Police Department indicates that this complaint is based upon misinformation provided by the individual who called the police and that the police responded promptly and properly to the 911 calls.

On May 1, 2009, the trial court granted summary judgment to all defendants, thus dismissing the complaint; on May 15, the plaintiffs filed a notice of appeal. The Appellate Division recently issued an opinion reversing the summary judgment and remanding this case for trial. The City of Jersey City has filed a petition to the New Jersey Supreme Court which is pending a decision. Depending upon the outcome in the Supreme Court, the case may be remanded for trial. The exposure is likely to exceed the City's self retention and could possibly exceed the excess limits. Any excess verdict over the self retained amount $250,000.00 is payable by insurance, up to $5,000,000.00.

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. Pre-trial proceedings in progress. Plaintiff's latest demand is $950,000 plus $500,000 in attorney fees.

Astriab et al v City of Jersey City a companion case to Montone. Several 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. Plaintiffs also claim attorneys fees.

Estate of Zev Segal v. City of Jersey City. This complaint was re-filed in March, 2010, by decedent's estate. Decedent was found dead in his motor vehicle submerged in the Hackensack River near Danforth Avenue in Jersey City. The complaint alleges that the plaintiff's decedent drove into the River because the City failed to provide adequate traffic barricades or warnings on Danforth Avenue. The plaintiff seeks $2,500,000.00 in damages for wrongful death and conscious pain and suffering (drowning). The decedent was survived by his invalid wife. Any excess verdict over the self retained amount, $250,000.00, up to $5,000,000.00 is covered by insurance

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 of Jersey City. The corporations are claiming 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 Jersey 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 is still in the beginning stages of litigation. Motions to dismiss the third party defendants, including Jersey City, are pending. If we are not successful on the motion, the potential exposure could be $5,000,000.00.

Estate of Morales v City of Jersey City . Plaintiff alleges that the City failed to train police officers in the appropriate response to medical problems, specifically, difficulty breathing, experienced by the subject in the course of an arrest. The individual police officers involved successfully moved for summary judgment, and the remaining claim is against the City of Jersey City alleging that the failure to provide appropriate training rises to the level of a Constitutional violation of the decedent's civil rights. The plaintiff demands $1,200,000.00 to settle. The case is scheduled for trial on November 9, 2010 in the United States District Court.

Wheeler v City of Jersey City Plaintiff alleges that Jersey City police officers used excessive force and caused him to be incarcerated for 18 months in violation of his Constitutional rights. At a traffic investigation, the plaintiff was shot numerous times and wounded and jailed when he tried to strike one of the officers with his automobile. The plaintiff claims that the police initiated the auto collision and shot him to prevent him from fleeing the scene. The police were wearing plain clothes and driving an unmarked car; plaintiff claims he did not know they were police. The investigation by the Hudson County Prosecutor's office found no criminal violation by the police officers, but after 18 months, during which time the plaintiff was jailed, the Prosecutor's office downgraded the attempted murder and aggravated assault charges to a disorderly persons violation, resisting arrest. Numerous depositions have been taken and expert reports remain to be exchanged. If the plaintiff prevails at trial, he would be entitled to attorneys fees in addition to any judgment for damages. Settlement negotiations have been unsuccessful. Exposure could be $1,000,000.00 without insurance.

Assuncao Brothers v City of Jersey City Contractor on three construction (roadway renovation) projects claims damages in excess of $1,800,000,00 for retainage, alleged delay damages, and excessive charges for off duty police officers. Case is filed in Superior Court and we are trying to resolve the case through mediation.

Gattas v City of Jersey City. This plaintiff alleges he suffered disabling injuries to his shoulder as a result of excessive force used by a police officer during an unwarranted, false arrest. Although plaintiff has incurred in excess of $100,000.00 in medical expenses, most of the expenses appear to be unrelated to any injury suffered during his arrest. Nevertheless, the case does have a potential for a substantial recovery, which would include attorneys fees.

Dolores Fenton on behalf of Estate of Sean Fenton. This **claim** filed on December 1st, 2008 alleges that claimant's husband, a resident of Whitehouse Station, New Jersey, died after calling 911 when her call "was misdirected from her home to Hudson County, New Jersey, resulting in unnecessary delay in EMT responding." Based upon information, the City of Jersey City had no role in receiving or transmitting the call.

Wesley Brown on behalf of Estate of Martina Brown. This **claim** filed on August 17, 2009, alleges that Jersey 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.

Estate of Markieth Singleton v. City of Jersey City. This recently filed lawsuit alleges that claimant's decedent was shot and killed by a police officer on September 14, 2008. The claim seeks damages "in an amount not less than $2,000,000." A police department investigation has concluded that the officer had a reasonable belief that deadly force was necessary to protect a fellow officer from death or serious bodily harm in that the decedent had pointed a gun at a fellow officer during a motor-vehicle stop.

In addition to the cases listed above, the City of Jersey City, its officers and employees are defendants in a number of lawsuits, none of which is unusual for a city of its size. These liabilities under New Jersey reporting requirements will be reflected when paid. 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 2004 through 2010 the City paid the following amounts in judgments and settlements:

Year	Amount Paid
2010	$1,846,608
2009	2,705,400
2008	3,859,734
2007	1,533,325
2006	2,307,092
2005	1,194,866
2004	1,219,875

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

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)

Year	City	County	State
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

Fiscal Year	Student Enrollment	Percent Change
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
2002-2003	32,536	-2.08
2001-2002	33,214	+6.22

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	28,235
Renter Occupied	59,474
Other Vacant	12,416
Total Units	100,125

Source: Jersey City Economic Div. Corp.

Employment

Employment
Labor Force - The City of Jersey City

Year	Total Labor Force	Employed	Percent (%) Unemployed
2009	116,755	104,081	10.9
2008	115,361	107,076	7.2
2007	112,174	105,939	5.60
2006	111,754	104,669	6.3
2005	113,192	107,176	5.30
2004	111,820	103,979	7.00

Source: New Jersey Department of Labor, Office of Labor Planning and Analysis: 2004-2008.

Larger Employers in the City
As of October 2009

Name of Employer	Estimated Number of Employees
Goldman Sachs & Co., Inc.	3,000
Hudson County Executive's Office	2,900
City of Jersey City	2,692
Pershing, LLC	2,121
New Jersey City University	1,663
JPMorgan Chase Bank, N.A.	1,576
Christ Hospital	1,529
Merrill Lynch & Co., Inc.	1,500
Citigroup, Inc.	1,500
Jersey City Medical Center	1,409
ICAP North America, Inc.	1,251
National Union Fire Insurance Co., Inc.	1,200
Morgan Stanley	1,200
Deutsche Bank	1,200
ISO Staff Services, Inc.	1,191

Source: Economic Development Corporation, Jersey City.

Higher Education

The City is home to St. Peter's College, with an enrollment of approximately 3,000 students, and New Jersey City University, with an estimated enrollment of 6,600 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. Jersey 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 6,700.

Healthcare

The Jersey City Medical Center, a voluntary not-for-profit hospital has recently constructed a new hospital facility at a site on Grand Street and Jersey Avenue to replace the Medical Center complex built in the 1930s. See "CITY INDEBTEDNESS AND DEBT LIMITS – Other City-Related Obligations" herein.

ECONOMIC DEVELOPMENT

Introduction

The estimated population of Jersey City is currently 265,610 persons. It has been growing steadily at a rate of 5-6 % since a low of 223,532 in 1980. At the present time, Jersey City has established itself as a leader in urban development within the State of New Jersey. We expect to move forward in this role with continued success by utilizing our natural geographic advantages; existing resources such as, infrastructure and thriving neighborhoods; transportation assets; and city wide policies that continue to attract new investment while maintaining opportunities for existing businesses and residents.

The City's Department of Housing and Economic Development and Commerce (HEDC) institutes development policy and implements planning, zoning and building code reviews. It also administers the Community Development Block Grant and First Time Home Owners Programs. The Jersey City Redevelopment Agency (JCRA) designates, and sometimes partners with, private development interests to revitalize blighted areas and carry out development projects within redevelopment districts of the City. The Jersey City Economic Development Corporation (EDC) works to attract outside businesses to the City and assists new and existing businesses with loans, grants and technical guidance.

The City of Jersey City seeks to balance all aspects of City growth and development by fostering support to both of its waterfronts and its central core neighborhoods. The City invests time, attention, and resources to restoring community vitality; improving on its transit and pedestrian oriented infrastructure; and expanding its housing, commercial and retail uses. Jersey City continues to be a statewide leader in producing owner and rental housing for market rate and low and moderate income families. It also preserves open space and cultural amenities, by retaining our rich heritage within the brick and mortar of our extensive historic building assets. Jersey City seeks to achieve an equitable and comprehensive approach to managing the brisk levels of investment and development we are experiencing.

Available Economic Incentives

- New Jersey Transit Hub Tax Incentive Program
- Business Employment Incentive Program (BEIP)
- Economic Redevelopment and Growth Grant (ERG)
- Urban Enterprise Zone (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

Jersey 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 funds many development initiatives throughout the City, such as; development site acquisition, special events, preservation, city beautification projects, CCTV program, job training, and business improvement and relocation grants. In the past, the City received approximately $16.2 million annually to be used for various programs. The UEZ is currently under review by the Governor's office and the amount to be received by the City is not yet known.

The Economic Development Corporation also 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
- Community Lending & Investment Corporation
- Jersey City Employment & Training Program
- UEZ Street Cleaning Program
- Closed Circuit TV Neighborhood Watch Program
- Customer Service Skills Center
- JC Small Business Development Center

The Hudson River Waterfront

The City's industrial waterfront of the past has been replaced with a booming office and residential center. We have been particularly successful in attracting firms in the financial services industry to the area. Initially favored as a back-office location for firms relocating employees from Manhattan, Jersey City is now home to a wide range of firms and functions within the financial services sector now attracting corporate headquarters to Class A office space.

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 Jersey 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.

Similar interest has emerged in the City's western sections, along the Hackensack River frontage and through re-zoning within existing City core redevelopment areas. New redevelopment plans and Brownfield reclamation have lead to the planning and authorization of approximately 3.5 million square feet of office/job space and 17,000 additional dwelling units.

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; implementation of the City homes at Westside Station loft style residential project within the Water Street Redevelopment Plan area; approval of the new high-tech 878,264 square foot high-cube warehouse; transformation of an adjacent 32-acres of a former federal superfund site into a park with 2 soccer fields and a ¼ acre extension of the Hackensack River Walkway; 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 Jersey City 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 Jersey City this year, 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 1/Honeywell Project and the Hackensack River.

The City's 15 acre public works facility is located within the Bayfront 1 redevelopment area, situated adjacent to the light rail extension and Station location. Jersey City will be partnering with Honeywell in the re-development of this area gaining access to the fiscal benefits of the project.

Central Business Districts and City Core

Journal Square is a major regional transportation hub that has recently been the subject of several community charrettes and visioning studies by world renowned consultants. The Greater Journal Square Study area is roughly 244 acres. It centers on the NY/NJ Port Authority Transportation Center. The JC Redevelopment Agency received a Smart Growth Futures Grant to fund this endeavor. The result is a modern approach to managing the varied needs of our central business district and tapping into the un-used density that can be accommodated in this regional core. The vision Study and the Redevelopment Plan set in motion the implementation of a new transportation center, dramatically increased density at the core and in key locations throughout the square, pedestrian-only streets of increased vitality and additional light rail services. This approach is similar to the approach taken to re-zone the industrial waterfront, which sparked the revival of the gold coast.

The first project site plan submitted to the City in response to this initiative is immediately adjacent to the transportation center incorporating a ground floor retail component, and two residential towers, one 61-story tower and a second 43-story tower, together containing approximately 1,500 dwelling units. The project will incorporate shoppers' parking for the Journal Square merchants, improve and strengthen the pedestrian access pathways to and from the transit hub, and improve, replace and maintain the landscaping and café kiosk of Journal Square Plaza.

Other happenings within the Greater Journal Square area include upgrades to education, cultural and historic facilities. Specifically, they include: the expansion of the Hudson County Community College Campus and facilities; the recent completion of a new City Park adjacent to the NJCU Culinary Institute; and, the completion of a $2 Million restoration of the Van Wagenen House, the oldest historic building in the City. Its anticipated re-use as an Historic Museum and cultural venue for the community is scheduled for completion next year.

On the periphery of the square is the adaptive re-use of the old American Can Factory. It entails the creation of over 1,300 new loft style residential units and associated retail services. Its proximity to a future potential Marion PATH station and its connections to Route 7, Route 139, and the Wittpenn Bridge approach, all currently under renovation through the investment of the State of New Jersey, has made this location even more appealing. The renovated warehouse has been host to many cultural and philanthropic events including Arts gallery displays and high end fashion runway shows.

Transportation Improvements and Funding

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

- FY 2004-2005 Subregional Study Program grant for Liberty State Park Access study in the amount of $100,000; and

- FY 2006-2007 Subregional Study Program grant for Jersey City Regional Access and Downtown Circulation Study in the amount of $220,000; and

- 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; and

- Pending receipt 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.

NJTPA with New Jersey Transit are co-sponsoring a City Bus Study to identify local bus service needs for Jersey City in the amount of $250,000.

New Jersey Department of Transportation, (NJDOT) FY 2008 Safe Routes to School program grant for safety improvements at school crossings in the amount of $250,000.

The City received federal high priority project funding for the for there-use of the Bergen Arches 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.

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 has begun the $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. The result will be a twenty percent increase in system capacity. The installation of the new signal system is scheduled to begin in 2008, with completion in 2014. New PATH cars will be phased into the system through 2011.

- The $1 billion Hudson Bergen Light Rail Transit System 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 Jersey City and is a hub for regional commuter train service. It also now connects to a new Park & Ride station on Tonnelle 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 Jersey City waterfront employment center. A new extension to the south in Bayonne is also now under construction.

- Ferry service connects the Exchange Place/Paulus Hook, Hudson Exchange Newport, Port Liberté and Liberty Harbor North areas to lower Manhattan, and also connects Exchange Place/Paulus Hook to Newport 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 Jersey City Waterfront.

- The Hudson River Waterfront Walkway is advancing toward completion along the waterfront as development of properties adjacent to the waterfront continues. As part of its site development, Colgate has completed its portion of the waterfront walkway and the walkway across Harborside's portion of waterfront is also complete, as is Avalon Cove and most of Newport's. It is now possible to walk from Goldman-Sachs to the Newport area and its shopping and dining venues. The Newport Walkway now connects to Hoboken at the Hoboken Train Station. 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. The LeFrak Organization completed its temporary walkway making an easy enjoyable pedestrian connection from the waterfront walkway at Newport to the Hoboken Train Station.

- 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, Tonnele Avenue, Route 1&9 Truck, and a proposed new road parallel to Tonnele Avenue.

- 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.

INDUSTRIAL DEVELOPMENT

The City is successfully retaining and attracting industrial and warehousing firms which take advantage of Jersey City's transportation network and easy access to regional markets. A brief catalog of industrial development districts includes the following:

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.

High-Cube Warehouse The AMB Warehouse, currently under construction, will be a state of the art high-cube warehouse facility located at 219-295 Route 1&9. The Planning Board approved the project on July 24th, 2007, allowing for the redevelopment of a tax-exempt Super Fund site. The warehouse will total 878,264 square feet on a 50 acre site. The project is expected to create 300 permanent jobs, and pay approximately $1 million in property taxes each year.

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..

Liberty Industrial Park In January 1996 construction was completed by the New York Daily News of a new 410,000 square feet 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 leaseable 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. Recently, 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.

The Northern Hudson River Waterfront

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, Jersey 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. Although the extent of development achieved to date is extensive, there still remains a significant amount of land for future expansion.

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 new parks, educational facilities, health and wellness facilities, and even a yacht club.

Powerhouse Arts District Redevelopment Area The Powerhouse Arts District Redevelopment Plan area is centered around 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. The City has sought to encourage alternative uses to allow this district to retain its distinctive identity since it offers a variety of choices to visitors and residents of the waterfront. This district is 2-4 blocks west of the waterfront and is anchored by the National Register Hudson & Manhattan Railroad Powerhouse building. The 100-year-old castle-like building near the waterfront is owned by the City of Jersey City and the Port Authority of New York and New Jersey. 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 proposed 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 simple be an extension of the existing neighborhoods that surround it. This project has the luxury of 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 nearing completion with 420 of the first 600 completed and occupied. Several mixed use projects by a number of different developers have also followed on the coattails of this project. They are Phase I of Gulls Cove a 320 Condominium building, completed in 2007 and more recently, a 348 unit rental building by Applied Housing, Inc. and S&K Associates that began construction in December of 2008. The planning board has also approved a mixed use building that includes a full service Hilton 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, an impressive food court, 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 Pair and a full service hotel on the South pier. The Hyatt Regency Jersey City was the first full-service hotel on the Jersey City 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 three more office towers for Plaza 4, 5, 6 & 7 and two residential towers on Plazas 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

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. 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 Jersey City 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 gives, 1,000 underground car garage, ground floor pedestrian and retail amenities. This tower, the tallest in the state, provides a unique identity and profile for the Jersey City skyline. Goldman Sachs has received site plan approval for its second office tower of 731,086 square feet at 50 Hudson Street. Merrill-Lynch has approvals in place for a 1.2 million square feet building of award winning design by Fox & Fowle.

Residential construction has been successful within this project area, with almost 1000 dwelling units completed since 1995. K. Hovnanian and Equity Residential have completed 2 residential towers with over 900 units.

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 Legacy at Liberty Park, a 324-unit project by Trammel Crow Residential was completed in September 2000. Other projects recently completed 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, and Fulton's Landing with 105 condominium units are all occupied and complete.

Hudson Exchange 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, the 'A', and the West tower of "Trump Plaza Residences." 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 break ground in the area is the Monaco, a residential development of 555 units in two 44 and 45 stories and 6,100 square feet of ground floor retail on what is currently the Doubletree Hotel's parking lot

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. It is now complete and hosted its first international PGA TOUR event, the Barclays, in August of 2009. 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 800 acres. It currently houses, two Marinas, a boat launch, 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.

The restoration of Ellis Island is being undertaken via a partnership of 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, it is proposed to be utilized as an institute and International Conference Center, museum and national heritage site.

Ferries to the Statue of Liberty and Ellis Island leave from Jersey City, Liberty State Park throughout the day. The park is frequently the site of State wide events, including concerts, festivals, and tournaments.

Central Business Districts and City Core

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. Phases I & II have been completed. Renovation is ongoing and is anticipated to be completed in the next seven years. 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 Street Station Area As recent as 2000, the Grove Street Station Area was considered to be too far from the waterfront to be desirable for high end market rate units. Today, redevelopment of the area around the Grove Street PATH Station is teeming with activity and investment due largely to the completion of. Phase I Columbus Towers and Grove Pointe at Marin Boulevard & C. Columbus Drive. These two projects added over 800 new residences and approximately 45,000 Sq. ft. of ground floor retail to that intersection. They serves as anchors to the Historic Newark Avenue Downtown Shopping District which is undergoing a re-vitalization and influx of new residents, shoppers and restaurant choices of its own. 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.

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. Many other mixed-use and residential projects are underway along the Drive.

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 Jersey 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. Construction will begin on several projects in 2009. The largest is "The Monticello" to be developed by Whiton Street Associates, LLC. Phase I, budgeted at $30-million will total 225,000 square feet. It will comprise 120 rental apartments with 80% market rate and 20% affordable housing and a total of 25,000 square feet of retail including a supermarket. The overall proposed project--consisting of four phases and more than two million square feet--will create 500-plus jobs over an anticipated five-year period, from the construction process through to completion. Smaller projects include 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.

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 of Jersey 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. It also allows for future increased density clustered around another potential new HBLRT Rail station planned to be added along the existing rail alignment.

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. 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 is expected to generate $50 million in annual sales. Other recently completed residential additions include The Cliffs, 700 Grove Street, and Zephyr Lofts. Proposed plans include the Van Leer Chocolate Factory site, the Hoboken Redevelopment Plan area and the New York Avenue Redevelopment Plan area,.

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 tenanted. 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.

New Jersey City Medical Center and Grand Jersey Redevelopment Plan Area The Jersey City Medical Center opened its new 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 Medial Center and plans to construct a second one in the near future. 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 Jersey 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 Jersey City to the Park.

APPENDIX B

FINANCIAL STATEMENTS OF THE CITY OF JERSEY CITY

The following information was extracted from the City's Annual Report of Audit for the Year Ended June 30, 2009. Copies of the full Report of Audit are available for inspection in the Office of the City's Business Administrator.

DONOHUE, GIRONDA & DORIA
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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying balance sheets of the individual funds of the City of Jersey City, New Jersey (the "City") as of June 30, 2009 and 2008, the related statements of operations and changes in fund balance for the years then ended and the related statements of revenues, appropriations, and fund balance for the year ended June 30, 2009, as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 7, the City did not have an actuarial valuation of its other post employment benefits (OPEB) performed. Governmental Accounting Standards Board Statement Number 45 (GASB 45) requires an actuarial valuation be performed in accordance with the guidelines set forth in GASB 45. In addition, the Division requires the results of such valuation be disclosed only in the notes to financial statements. The amount by which this departure would affect the City is not reasonably determinable, however, it is presumed to be material.

As described in Note 1, these financial statements were prepared in conformity with the accounting principles prescribed by the Division, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, due to the lack of an actuarially determined valuation of the City's OPEB liability discussed in the second paragraph preceding, and the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City, as of June 30, 2009 and 2008, or the results of its operations for the years then ended.

In addition, in our opinion, except for the lack of having an actuarial valuation conducted on the City's OPEB liability as described in Note 7, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the City, as of June 30, 2009 and 2008, and the results of its operations of such funds and the changes in its fund balances for the years then ended, on the basis of accounting described in Note 1.

Donohue, Gironda & Doria, CPA's

DONOHUE, GIRONDA & DORIA
Certified Public Accountants

Bayonne, New Jersey
February 18, 2010

CITY OF JERSEY CITY
CURRENT FUND
AS OF JUNE 30, 2009 AND 2008

COMPARATIVE BALANCE SHEET

	2009	2008
Assets:		
Cash and Cash Equivalents	$ 36,190,918	$ 54,796,793
Change Fund	1,710	1,710
	36,192,628	54,798,503
Intergovernmental Receivables:		
Due from State of NJ - Sr. Citizens' and Veterans' Deductions	804,000	819,500
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	86,200	150,022
Tax Title Liens Receivable	1,319,851	1,962,730
Demolition Charges and Liens Receivable	176,859	-
Lot Cleaning Charges and Liens Receivable	11,675	1,246
Property Acquired for Taxes at Assessed Valuation	2,300,600	2,318,400
Sales Contracts Receivable - Property Acquired for Taxes	354,051	417,051
Interfunds Receivable	8,746	105,690
	4,257,982	4,955,139
Total Assets	$ 41,254,610	$ 60,573,142
Liabilities and Reserves:		
Appropriation Reserves	$ 9,582,434	$ 12,043,780
Intergovernmental Payable:		
State of New Jersey - Marriage Licenses	11,400	19,800
State of New Jersey - Burial Permits	2,270	-
Interfunds Payable	1,268,274	7,228
Prepaid Taxes	377,620	375,102
Tax Overpayments	974,260	3,110,915
Reserve for Encumbrances	7,392,415	16,354,475
Contracts Payable	642,805	591,586
Reserve for Deposits on Sale of Property Acquired for Taxes	20,113	83,113
Reserves - Other	52,697	6,353,916
Prepaid Payments in Lieu of Taxes	3,382,590	883,401
Reserve for Arbitrage Payable	1,000,000	1,000,000
Total Liabilities and Reserves	24,706,878	40,823,316
Reserve for Receivables and Other Assets	4,257,982	4,955,139
	28,964,860	45,778,455
Fund Balance	12,289,750	14,794,687
Total Liabilities, Reserves and Fund Balance	$ 41,254,610	$ 60,573,142

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	2009	2008
Revenue and Other Income Realized:		
Fund Balance Utilized	$ 14,019,500	$ 10,320,500
Miscellaneous Revenue Anticipated	297,565,705	306,290,907
Receipts from Delinquent Taxes	555,259	1,329,277
Receipts from Current Taxes:		
School and County Taxes	176,832,466	171,955,842
Local Taxes	160,550,758	158,712,846
Non-Budget Revenues	3,457,628	3,497,619
Other Credits to Income:		
Debt Service Appropriation Canceled	280,032	-
Outstanding Checks Canceled and other Credits	47,027	222,818
Marriage License Fee Adjustment	375	-
Prior Year Revenues Realized	63,000	-
Prior Year Grants Charged to Current Fund	2,849,534	-
Grants Canceled	-	289,961
Cancellation of Trust Fund Reserves	103,497	-
Prior Year Interfunds Returned	105,690	411,747
Unexpended Appropriation Reserves	7,464,928	7,051,420
Cancellation of Contracts Payable	87,098	290,108
Cancel Reserves	476,505	-
	664,459,002	660,373,045
Expenditures:		
Budgetary and Emergency Appropriations:		
Appropriations within "CAPS"		
Salaries and Wages	210,511,444	199,405,642
Other Expenses	136,367,123	136,671,444
Deferred Charges and Statutory Expenditures	26,769,893	9,897,950
Appropriations Excluded from "CAPS"		
Other Expenses	44,505,338	71,201,455
Capital Improvements	2,250,000	2,802,000
Debt Service	38,089,701	37,881,739
Deferred Charges	300,000	300,000
Type 1 School District Debt	15,375,919	15,991,832
Reserve for Uncollected Taxes	1,503,973	1,581,460
Refund of Prior Year Revenues	281,167	-
County Tax Penalties	58,844	-
Payment of Legal Settlement	87,775	-
Burial Permit Fee Adjustment	2,050	-
Interfunds Advanced Originating in Current Year	8,746	105,690
Local District School Tax	86,122,268	82,809,873
County Taxes	90,710,198	89,145,969
	652,944,439	647,795,054
Excess in Operations	11,514,563	12,577,991
Fund Balance, July 1	14,794,687	12,537,196
	26,309,250	25,115,187
Utilized as Anticipated Revenue	14,019,500	10,320,500
Fund Balance, June 30	$ 12,289,750	$ 14,794,687

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF REVENUES

	Anticipated: Budget as Adopted	Anticipated: N.J.S.A 40A:4-87	Realized	Excess or (Deficit)
SURPLUS:				
Surplus Anticipated	$ 13,200,000	$ -	$ 13,200,000	$ -
Surplus Anticipated with Prior Written Consent of Director	819,500	-	819,500	-
Total Surplus	14,019,500	-	14,019,500	-
MISCELLANEOUS REVENUES:				
LOCAL REVENUES				
Licenses:				
Alcoholic Beverages	311,900	-	291,700	(20,200)
Other Licenses				
Marriage Licenses	5,066	-	4,947	(119)
Cable TV Franchise Fees	540,824	-	584,709	43,885
Franchise Payment - Port Authority	40,000	-	40,000	-
Telephone Commission Fees	7,514	-	198	(7,316)
Hackensack Meadowlands Adjustment	944,968	-	990,292	45,324
Local School Aid	1,500,000	-	1,533,410	33,410
Advertising Ordinance Fees	141,000	-	153,383	12,383
Search Fees	1,600	-	952	(648)
Demolition Fees	100,000	-	-	(100,000)
Lot Cleaning Charges	100,000	-	202,282	102,282
Tax Collector's Fees	100,000	-	96,771	(3,229)
Hotel Occupancy Tax	4,400,000	-	4,094,136	(305,864)
Fees and Permits				
Interest and Costs on Taxes	850,000	-	997,535	147,535
Interest on Investments and Deposits	2,500,000	-	1,058,328	(1,441,672)
Assessor's Application Fees	90,000	-	96,433	6,433
Sewer and Street Opening Permits	150,000	-	126,789	(23,211)
Municipal Engineering of Sewer System	408,000	-	408,000	-
Swimming Pool Fees	89,802	-	108,479	18,677
Skating Rink Fees	58,000	-	46,943	(11,057)
Laundary Licenses	21,715	-	24,350	2,635
Vending Machine Licenses	20,108	-	23,688	3,580
Food Establishment Licenses	315,925	-	300,680	(15,245)
Hotel/Motel Licenses	61,333	-	78,120	16,787
Dine and Dance Permits	15,900	-	7,100	(8,800)
Police Reports ID Bureau Fees	140,000	-	201,365	61,365
Taxicab/Omnibus Licenses	73,905	-	83,580	9,675
Elevator Inspection Fees	637,446	-	648,940	11,494
Site Plan Review Fees	343,607	-	444,515	100,908
Bingo and Raffle Licenses	14,530	-	24,495	9,965
Mechanical Amusement Devices	14,950	-	14,963	13
Parking Lot Licenses	299,504	-	340,621	41,117
Used Moter Vehicle Dealer Licenses	67,200	-	79,467	12,267
Parking Lot Tax	6,335,206	-	6,750,054	414,848
Fines and Costs:				
Municipal Court Fines	9,660,950	-	9,512,507	(148,443)
	30,360,953	-	29,369,732	(991,221)

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF REVENUES

	Anticipated: Budget as Adopted	Anticipated: N.J.S.A 40A:4-87	Realized	Excess or (Deficit)
STATE AID WITHOUT OFFSETTING APPROPRIATIONS				
Consolidated Municipal Property Tax Relief	$ 40,733,262	$ -	$ 40,733,262	$ -
Energy Receipts Tax	38,590,455	-	38,590,455	-
In Lieu of Tax Payment - Garden State Pres. Trust	30,038	-	25,966	(4,072)
Building Aid Allowances for School Aid	8,106,844	-	8,106,844	-
Special Municipal Aid	5,000,000	-	5,000,000	-
	92,460,599	-	92,456,527	(4,072)
DEDICATED UNIFORM CONSTRUCTION CODE FEES OFFSET WITH APPROPRIATIONS				
Uniform Construction Code Fees	5,501,763	-	4,590,890	(910,873)
OTHER SPECIAL ITEMS				
Payments in Lieu of Taxes	88,128,808	-	85,978,250	(2,150,558)
Sale of Municipal Property - Land Sales	9,897,716	-	9,279,916	(617,800)
United Water Reimbursement - Water Operations	711,233	-	691,672	(19,561)
MUA Reimbursement - Water Operations	470,000	-	490,891	20,891
MUA Franchise Concession Payment	13,000,000	-	13,000,000	-
MUA Water Debt Service Payment	6,199,591	-	6,199,591	-
Uniform Fire Safety Act	850,000	-	850,000	-
Reserve for Payment of Capital Debt	3,512,906	-	3,512,906	-
Added and Omitted Taxes	1,810,046	-	1,810,046	-
Parking Lot Audit	581,970	-	581,970	-
Honeywell Settlement	15,000,000	-	15,000,000	-
	140,162,270	-	137,395,242	(2,767,028)
PUBLIC AND PRIVATE REVENUES OFFSET WITH APPROPRIATIONS				
State and Federal Grants	32,104,896	1,648,418	33,753,314	-
Total Miscellaneous Revenues	300,590,481	1,648,418	297,565,705	(4,673,194)
RECEIPTS FROM DELINQUENT TAXES:	930,806	-	555,259	(375,547)
Subtotal - General Revenues	315,540,787	1,648,418	312,140,464	(5,048,741)
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET:				
Local Tax Including Reserve for Uncollected Taxes	151,215,111	-	153,281,683	2,066,572
Addition to Local District School Tax	7,269,075	-	7,269,075	-
Total Amount to be Raised by Taxes	158,484,186	-	160,550,758	2,066,572
Total Budget Revenues	474,024,973	1,648,418	472,691,222	(2,982,169)
Non-budget Revenues	-	-	3,457,628	3,457,628
Total General Revenues	$ 474,024,973	$ 1,648,418	$ 476,148,850	$ 475,459

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
(A) Operations - Within "CAPS"						
OFFICE OF THE MAYOR						
Mayor's Office						
Salaries and Wages	$ 1,264,600	$ 1,264,600	$ 1,187,411	$ -	$ 77,189	$ -
Other Expenses	65,200	65,200	46,049	14,568	4,583	-
CITY CLERK AND MUNICIPAL COUNCIL						
Office of the City Clerk						
Salaries and Wages	857,200	857,200	830,311	-	26,889	-
Other Expenses	107,200	111,200	88,646	22,545	9	-
General and Primary Election	95,000	95,000	83,476	-	11,524	-
Municipal Election	500,000	500,000	379,726	-	120,274	-
Municipal Council						
Salaries and Wages	620,000	620,000	609,613	-	10,387	-
Other Expenses	92,600	88,600	60,413	1,969	26,218	-
Audit Services	350,000	350,000	-	350,000	-	-
DEPARTMENT OF ADMINISTRATION						
Administrator's Office						
Salaries and Wages	2,518,900	2,518,900	2,416,304	-	102,596	-
Other Expenses	128,000	128,000	61,943	12,605	53,452	-
Architecture						
Salaries and Wages	535,000	535,000	516,586	-	18,414	-
Other Expenses	29,000	29,000	13,929	5,454	9,617	-
Management and Budget						
Salaries and Wages	304,700	284,700	271,520	-	13,180	-
Other Expenses	48,475	68,475	44,345	20,960	3,170	-

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Engineering						
Salaries and Wages	$ 2,110,000	$ 2,110,000	$ 2,025,405	$ -	$ 84,595	$ -
Other Expenses	1,464,200	1,464,200	588,918	218,107	657,175	-
Purchasing and Central Services						
Salaries and Wages	764,000	764,000	719,066	-	44,934	-
Other Expenses	65,900	65,900	35,069	21,080	9,751	-
Real Estate						
Salaries and Wages	218,500	218,500	205,714	-	12,786	-
Other Expenses	68,300	68,300	24,692	18,167	25,441	-
Mayor's Action Bureau						
Salaries and Wages	551,000	551,000	504,759	-	46,241	-
Other Expenses	3,500	3,500	1,705	434	1,361	-
Communications						
Salaries and Wages	440,000	460,000	441,330	-	18,670	-
Other Expenses	23,900	23,900	10,430	12,371	1,099	-
Utility Management						
Salaries and Wages	659,500	659,500	615,527	-	43,973	-
Personnel						
Salaries and Wages	509,200	509,200	490,531	-	18,669	-
Other Expenses	213,100	213,100	47,209	25,152	140,739	-
Economic Opportunity						
Salaries and Wages	483,080	483,080	454,131	-	28,949	-
Other Expenses	10,800	10,800	4,153	1,480	5,167	-
Collections						
Salaries and Wages	855,500	855,500	796,440	-	59,060	-
Other Expenses	152,500	152,500	94,679	53,288	4,533	-

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Abatement Management						
Salaries and Wages	$ 244,700	$ 244,700	$ 231,816	$ -	$ 12,884	$ -
Other Expenses	2,800	2,800	2,389	237	174	-
Treasury and Debt Management						
Salaries and Wages	601,300	601,300	573,776	-	27,524	-
Other Expenses	12,500	12,500	7,085	255	5,160	-
Payroll						
Salaries and Wages	575,500	555,500	502,738	-	52,762	-
Other Expenses	11,600	11,600	7,494	2,447	1,659	-
Pension						
Salaries and Wages	224,500	224,500	214,354	-	10,146	-
Other Expenses	4,400	4,400	1,279	1,202	1,919	-
Accounts and Control						
Salaries and Wages	639,000	639,000	599,271	-	39,729	-
Other Expenses	6,800	6,800	3,457	743	2,600	-
Internal Audit						
Salaries and Wages	177,000	177,000	170,784	-	6,216	-
Other Expenses	7,500	7,500	6,301	-	1,199	-
Risk Management						
Salaries and Wages	287,200	287,200	271,739	-	15,461	-
Other Expenses	3,200	3,200	899	610	1,691	-
Information Technology						
Salaries and Wages	1,221,000	1,221,000	1,125,658	-	95,342	-
Other Expenses	1,649,000	1,649,000	1,240,673	131,192	277,135	-

See Accompanying Notes to Financial Statements

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Municipal Court						
Salaries and Wages	$ 4,186,000	$ 4,186,000	$ 3,935,637	$ -	$ 250,363	$ -
Other Expenses	431,900	431,900	80,996	53,448	297,456	-
Public Defender						
Salaries and Wages	89,500	89,500	84,082	-	5,418	-
Other Expenses	261,600	261,600	130,458	82,542	48,600	-
<u>OFFICE OF THE TAX ASSESSOR</u>						
Tax Assessor						
Salaries and Wages	1,040,000	1,040,000	992,916	-	47,084	-
Other Expenses	135,100	135,100	78,223	12,840	44,037	-
<u>DEPARTMENT OF LAW</u>						
Law Department						
Salaries and Wages	3,250,600	3,098,600	3,009,430	-	89,170	-
Other Expenses	684,750	836,750	423,306	246,803	166,641	-
<u>DEPARTMENT OF PUBLIC WORKS</u>						
Director's Office						
Salaries and Wages	563,500	563,500	542,469	-	21,031	-
Other Expenses	116,000	116,000	26,943	895	88,162	-
Park Maintenance						
Salaries and Wages	2,790,000	2,790,000	2,646,955	-	143,045	-
Other Expenses	840,300	840,300	532,375	171,756	136,169	-
Building and Street Maintenance						
Salaries and Wages	2,862,000	2,862,000	2,695,041	-	166,959	-
Other Expenses	1,763,500	1,633,500	1,067,074	344,897	221,529	-

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Automotive Services						
Salaries and Wages	$ 1,093,000	$ 1,093,000	$ 982,503	$ -	$ 110,497	$ -
Other Expenses	2,721,200	2,851,200	2,326,782	497,466	26,952	-
Neighborhood Improvement						
Salaries and Wages	784,000	784,000	731,097	-	52,903	-
Other Expenses	22,850	22,850	17,715	361	4,774	-
DEPARTMENT OF RECREATION						
Director's Office						
Salaries and Wages	3,524,000	3,524,000	3,282,935	-	241,065	-
Other Expenses	610,000	610,000	385,380	223,223	1,397	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Director's Office						
Salaries and Wages	879,500	879,500	879,500	-	-	-
Other Expenses	100,400	100,400	16,472	10,415	73,513	-
Health						
Salaries and Wages	2,490,000	2,490,000	2,347,704	-	142,296	-
Other Expenses	611,100	611,100	414,512	107,318	89,270	-
Cultural Affairs						
Salaries and Wages	730,400	730,400	670,855	-	59,545	-
Other Expenses	534,500	534,500	297,293	155,470	81,737	-
Clinical Services						
Salaries and Wages	145,424	145,424	138,225	-	7,199	-
Other Expenses	68,000	68,000	38,868	10,683	18,449	-
AIDS Education Program						
Other Expenses	20,000	20,000	17,003	2,775	222	-

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Senior Citizen Affairs						
Salaries and Wages	$ 375,000	$ 375,000	$ 367,798	$ -	$ 7,202	$ -
Other Expenses	287,275	287,275	244,775	16,212	26,288	-
DEPARTMENT OF FIRE AND EMERGENCY SERVICES						
O.S.H.A.					-	
Fire - Other Expenses	300,000	300,000	160,520	139,480	-	-
Uniform Fire Safety Act					-	
Salaries and Wages	235,000	235,000	235,000	-	-	-
Other Expenses	15,000	15,000	-	-	15,000	-
Fire						
Salaries and Wages	64,265,516	64,265,516	63,411,076	-	854,440	-
Other Expenses	1,449,000	1,449,000	982,669	372,075	94,256	-
DEPARTMENT OF POLICE						
Police						
Salaries and Wages	93,898,624	93,898,624	93,851,346	-	47,278	-
Other Expenses	2,638,323	2,638,323	1,922,054	556,927	159,342	-
HOUSING, ECONOMIC DEVELOPMENT AND COMMERCE						
Director's Office						
Salaries and Wages	570,000	570,000	557,181	-	12,819	-
Other Expenses	34,550	34,550	12,428	6,835	15,287	-
Construction Code Official						
Salaries and Wages	2,200,000	2,200,000	2,093,114	-	106,886	-
Other Expenses	180,000	180,000	84,597	24,699	70,704	-
Tenant/Landlord Relations						
Salaries and Wages	76,000	76,000	71,459	-	4,541	-
Other Expenses	16,300	16,300	7,659	3,678	4,963	-

See Accompanying Notes to Financial Statements

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Community Development						
Other Expenses	$ 5,000	$ 5,000	$ 4,461	$ -	$ 539	$ -
Commerce						
Salaries and Wages	882,000	882,000	864,052	-	17,948	-
Other Expenses	38,400	38,400	34,439	953	3,008	-
Economic Development						
Salaries and Wages	411,000	411,000	377,398	-	33,602	-
Other Expenses	17,450	17,450	5,200	1,125	11,125	-
City Planning						
Salaries and Wages	820,000	820,000	787,987	-	32,013	-
Other Expenses	18,600	18,600	9,170	-	9,430	-
Housing Code Enforcement						
Salaries and Wages	961,000	961,000	891,085	-	69,915	-
Other Expenses	52,500	52,500	48,487	973	3,040	-
Planning Board						
Other Expenses	86,700	86,700	69,027	8,690	8,983	-
Board of Adjustment						
Other Expenses	73,100	73,100	43,386	17,964	11,750	-
Historic District Commission						
Other Expenses	26,400	26,400	-	-	26,400	-
Zoning Officer						
Salaries and Wages	400,000	400,000	390,085	-	9,915	-
Other Expenses	21,600	21,600	17,183	1,315	3,102	-
INSURANCE						
Insurance - All Departments	7,000,000	7,000,000	6,000,000	-	1,000,000	-
Employee Group Health Insurance	61,088,600	61,088,600	60,408,845	310,690	369,065	-

See Accompanying Notes to Financial Statements

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
UNCLASSIFIED:						
Aid to Museum	$ 625,000	$ 625,000	$ 625,000	$ -	$ -	$ -
Aid to African American Museum	155,000	155,000	-	20,000	135,000	-
Jersey City Incinerator Authority	31,100,000	31,100,000	31,100,000	-	-	-
Municipal Publicity	30,000	30,000	9,040	500	20,460	-
Other Municipal Advertising	30,000	30,000	6,445	-	23,555	-
Celebration of Public Events	25,000	25,000	9,116	-	15,884	-
Professional Affiliations	26,000	26,000	20,198	-	5,802	-
Ambulance Service	3,344,000	3,344,000	3,344,000	-	-	-
Ethical Standards Board	20,000	20,000	15,000	3,000	2,000	-
Electricity	3,300,000	3,300,000	2,419,956	877,642	2,402	-
Street Lighting	3,325,000	3,325,000	2,421,152	875,559	28,289	-
Municipal Rent	2,241,150	2,501,150	1,856,758	409,116	235,276	-
Gasoline	1,450,000	1,190,000	923,325	266,445	230	-
Communications	1,505,000	1,505,000	1,027,391	272,680	204,929	-
Office Services	1,583,500	1,583,500	821,685	320,459	441,356	-
ACCUMULATED ABSENCES:						
Accumulated Absences	4,500,000	4,500,000	4,500,000	-	-	-
(B) Contingent	50,000	50,000	-	-	50,000	-
Total Operations Including Contingent within "CAPS"	346,878,567	346,878,567	330,474,039	7,342,775	9,061,753	-
Detail:						
Salaries and Wages	210,683,444	210,511,444	207,111,714	-	3,399,730	-
Other Expenses	136,195,123	136,367,123	123,362,325	7,342,775	5,662,023	-

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
(E) Deferred Charges and Statutory Expenditures within "CAPS"						
(1) DEFERRED CHARGES						
Prior Years' Bills	$ 53,096	$ 53,096	$ 53,096	$ -	$ -	$ -
(2) STATUTORY EXPENDITURES						
Contribution to:						
Public Employees Retirement System (PERS)	1,156,824	1,156,824	1,156,723	-	101	-
Social Security System (O.A.S.I.)	4,345,000	4,345,000	3,920,291	-	424,709	-
Consolidated Police and Fire Retirement Fund	227,435	227,435	227,435	-	-	-
Police and Fire Retirement System (PFRS)	15,325,660	15,325,660	15,325,656	-	4	-
Municipal Employees Pension Fund	5,230,349	5,230,349	5,230,349	-	-	-
Employees Non-Contributory Pension	280,882	280,882	243,365	-	37,517	-
Pensioned Employees	99,927	99,927	91,638	-	8,289	-
Payments to Widows and Dependents of Deceased Public Safety Members	720	720	659	-	61	-
Unemployment Compensation Insurance	50,000	50,000	50,000	-	-	-
	26,769,893	26,769,893	26,299,212	-	470,681	-
(H-1)TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	373,648,460	373,648,460	356,773,251	7,342,775	9,532,434	-
(A) Operations - Excluded From "CAPS"						
GENERAL GOVERNMENT:						
Jersey City Parking Authority	1,359,256	1,359,256	1,359,156	100	-	-
Maintenance of Free Public Library	8,280,000	8,280,000	8,280,000	-	-	-
	9,639,256	9,639,256	9,639,156	100	-	-

See Accompanying Notes to Financial Statements

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
PUBLIC AND PRIVATE APPROPRIATIONS OFFSET BY REVENUES						
State and Federal Grants	$ 32,104,896	$ 33,753,314	$ 33,753,314	$ -	$ -	$ -
Matching Funds for Grants	1,112,768	1,112,768	1,062,768	-	50,000	-
	33,217,664	34,866,082	34,816,082	-	50,000	-
Total Operations - Excluded from "CAPS"	42,856,920	44,505,338	44,455,238	100	50,000	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	42,856,920	44,505,338	44,455,238	100	50,000	-
(C) Capital Improvements - Excluded from "CAPS"						-
Capital Improvement Fund	2,000,000	2,000,000	2,000,000	-	-	-
Acquisition, Remediation of Public Property	250,000	250,000	250,000	-	-	-
	2,250,000	2,250,000	2,250,000	-	-	-
(D) Municipal Debt Service						
General Debt Service:						
Maturing Serial Bonds - General Qualified	1,900,000	1,900,000	1,900,000	-	-	-
Maturing Serial Bonds - General Refunding	3,886,953	3,886,953	3,886,953	-	-	-
Fire Pension Refunding Bonds - Interest	949,562	949,562	949,562	-	-	-
Police Pension Refunding Bonds - Interest	1,414,875	1,414,875	1,414,873	-	-	2
Interest on Bonds - General Qualified	4,080,715	4,080,715	4,080,715	-	-	-
Interest on Bonds - General Refunding	15,332,931	15,332,931	15,332,931	-	-	-
Interest on Notes - General Refunding	503,493	503,493	503,493	-	-	-
Bond Anticipation Notes - Principal	3,184,333	3,184,333	3,184,333	-	-	-
Green Trust - Multi Parks	3,075	3,075	3,075	-	-	-
Demolition Bond Loan	77,376	77,376	77,376	-	-	-

See Accompanying Notes to Financial Statements

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Loan Repayments for Principal and Interest						
Wayne Street Park	$ 9,021	$ 9,021	$ 9,020	$ -	$ -	$ 1
Apple Tree House	14,669	14,669	14,669	-	-	-
Roberto Clemente Park	17,661	17,661	17,660	-	-	1
Sgt. Anthony Park	9,017	9,017	9,016	-	-	1
Marion Pavonia Pool	26,428	26,428	26,428	-	-	-
HCIA Pooled Loan	480,000	480,000	480,000	-	-	-
Water Debt Service:						
Maturing Serial Bonds - General Qualified	260,000	260,000	260,000	-	-	-
Maturing Serial Bonds - Refunding	3,595,000	3,595,000	3,595,000	-	-	-
Interest on Bonds - Refunding	1,866,229	1,866,229	1,866,229	-	-	-
Interest on Bonds - Qualified	478,363	478,363	478,363	-	-	-
	38,089,701	38,089,701	38,089,696	-	-	5
(E) Deferred Charges - Municipal - Excluded from "CAPS"						
Reserve for Tax Appeals	300,000	300,000	19,973	-	-	280,027
	300,000	300,000	19,973	-	-	280,027
(H-2)TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"	83,496,621	85,145,039	84,814,907	100	50,000	280,032
(K) Local District School Purposes - Excluded from "CAPS"						
TYPE 1 DISTRICT SCHOOL DEBT						
Maturing Serial Bonds - School Qualified	10,010,000	10,010,000	10,010,000	-	-	-
Interest on Bonds - School Qualified	5,365,919	5,365,919	5,365,919	-	-	-
	15,375,919	15,375,919	15,375,919	-	-	-

See Accompanying Notes to Financial Statements

Exhibit A-3

CITY OF JERSEY CITY
CURRENT FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Unexpended
	Budget as Adopted	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
(O)TOTAL GENERAL APPROPRIATIONS - EXCLUDED FROM "CAPS"	$ 98,872,540	$ 100,520,958	$ 100,190,826	$ 100	$ 50,000	$ 280,032
(L) Subtotal General Appropriations	472,521,000	474,169,418	456,964,077	7,342,875	9,582,434	280,032
(M) Reserve for Uncollected Taxes	1,503,973	1,503,973	1,503,973	-	-	-
TOTAL GENERAL APPROPRIATIONS	$ 474,024,973	$ 475,673,391	$ 458,468,050	$ 7,342,875	$ 9,582,434	$ 280,032

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
TRUST FUND
AS OF JUNE 30, 2009

COMPARATIVE BALANCE SHEET

	2009	2008
Assets:		
Assessment Fund:		
Cash and Cash Equivalents	$ 36,093	$ 36,093
Assessment Receivable	-	242,240
	36,093	278,333
Animal Control Fund:		
Cash and Cash Equivalents	34,457	48,837
Other Trust Fund:		
Cash and Cash Equivalents	20,499,583	14,219,852
Due from Current Fund	494,860	-
	20,994,443	14,219,852
Insurance Fund:		
Cash and Cash Equivalents	79,334	255,323
Payroll Clearing Fund:		
Cash and Cash Equivalents	2,066,020	2,201,726
Interfunds Receivable	87,437	38,979
	2,153,457	2,240,705
Unemployment Insurance Trust Fund:		
Cash and Cash Equivalents	1,274,423	1,361,209
Law Enforcement Trust Fund:		
Cash and Cash Equivalents	1,095,469	713,992
Community Development Block Grant:		
Cash and Cash Equivalents	1,099,387	1,055,906
Federal Grants Receivable	15,529,364	23,418,380
Interfunds Receivable	-	7,228
	16,628,751	24,481,514
Home Investments Partnership Program:		
Cash and Cash Equivalents	269,465	262,427
Federal Grants Receivable	15,848,655	18,739,852
Interfunds Receivable	-	4,013
	16,118,120	19,006,292
Evertrust Grant:		
Cash and Cash Equivalents	16,079	16,079

See Accompanying Notes to Financial Statements

Exhibit B

CITY OF JERSEY CITY
TRUST FUND
AS OF JUNE 30, 2009

COMPARATIVE BALANCE SHEET

	2009	2008
HOPWA Grant:		
Cash and Cash Equivalents	$ 48,187	$ 48,507
Federal Grants Receivable	5,985,262	9,137,823
Interfunds Receivable	3,274	4,569
	6,036,723	9,190,899
Martin Luther King (MLK):		
Cash and Cash Equivalents	6,031	6,031
Federal Grants Receivable	85,747	85,747
	91,778	91,778
State and Federal Grants Fund:		
Cash and Cash Equivalents	1,781,070	3,648,386
Other State and Federal Grants Receivable	49,027,460	50,278,256
Due from Jersey City Municipal Utilities Authority	203	203
Interfunds Receivable	27,629	-
	50,836,362	53,926,845
Total Assets	$ 115,395,489	$ 125,831,658
Liabilities, Reserves and Fund Balance:		
Assessment Fund:		
Reserve for Assessment Liens	$ -	$ 242,240
Fund Balance	36,093	36,093
	36,093	278,333
Animal Control Fund:		
Vouchers Payable	75	75
Due to State of New Jersey	1,379	1,259
Reserve for Expenditures	27,014	36,348
Interfunds Payable	14	84
Reserve for Encumbrances	5,975	11,071
	34,457	48,837
Other Trust Fund:		
Reserve for Encumbrances	6,736,835	333,115
Reserves and Special Deposits	14,192,452	13,821,581
Vouchers Payable	65,156	65,156
	20,994,443	14,219,852
Jersey City Insurance Fund:		
Miscellaneous Reserves	79,334	255,323

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
TRUST FUND
AS OF JUNE 30, 2009

COMPARATIVE BALANCE SHEET

	2009	2008
Payroll Clearing Fund:		
Due to Library	$ 127,988	$ 80,849
Reserve for Payroll Deduction	2,022,194	2,151,273
Interfunds Payable	3,275	8,583
	2,153,457	2,240,705
Unemployment Insurance Trust Fund:		
Reserve for Expenditures	1,274,423	1,361,209
Law Enforcement Trust Fund:		
Reserve for Encumbrances	422,662	145,120
Reserve for Federal Forfeitures	672,807	568,872
	1,095,469	713,992
Community Development Block Grant:		
Vouchers Payable	19,177	19,177
Reserve for Encumbrances	6,238,775	3,351,025
Reserve for Expenditures	10,292,247	21,072,333
Interfunds Payable	78,552	38,979
	16,628,751	24,481,514
Home Investments Partnership Program:		
Reserve for Program Income	1,017,003	1,007,532
Reserve for Encumbrances	12,341,524	12,790,067
Reserve for Expenditures	2,748,815	5,207,225
Interfunds Payable	8,885	-
Reserve for Other	1,893	1,468
	16,118,120	19,006,292
Evertrust Grant:		
Reserve for Encumbrances	6,873	6,873
Reserve for Expenditures	9,206	9,206
	16,079	16,079
HOPWA Grant:		
Reserve for Encumbrances	1,835,331	4,637,104
Reserve for Expenditures	4,201,373	4,553,795
Other Reserves	19	-
	6,036,723	9,190,899
Martin Luther King (MLK):		
Reserve for Expenditures	91,778	91,778

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
TRUST FUND
AS OF JUNE 30, 2009

COMPARATIVE BALANCE SHEET

	2009	2008
State and Federal Grants Fund:		
Due to Grantor	$ 187,190	$ 187,190
Reserve for Encumbrances	15,927,444	15,628,004
Reserve for Other	129,994	124,991
Reserve for State and Federal Grants - Appropriated	34,591,734	37,985,132
Interfunds Payable	-	1,528
	50,836,362	53,926,845
Total Liabilities and Reserves	$ 115,395,489	$ 125,831,658

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
GENERAL CAPITAL FUND
AS OF JUNE 30, 2009

COMPARATIVE BALANCE SHEET

	2009	2008
Assets:		
Cash and Cash Equivalents	$ 65,795,541	$ 57,942,468
Deferred Charges to Future Water Rents	25,467,528	25,467,528
Deferred Charges to Future Taxation:		
Funded	509,590,571	485,156,238
Unfunded	77,282,394	68,216,628
Due from State and Federal Governments	2,059,900	2,234,900
Interfunds Receivable	745,785	-
School Building Property	68,116	68,116
Due from Municipal Utilities Authority	52,305,000	56,160,000
Due from Jersey City Incinerator Authority	-	440,000
Total Assets	$ 733,314,835	$ 695,685,878
Liabilities and Reserves:		
Interfund Payable	$ 8,732	$ 104,078
General Serial Bonds	361,036,686	326,895,639
School Serial Bonds	100,745,000	110,755,000
Water Serial Bonds Payable	52,305,000	56,160,000
Demolition Loan Payable	148,800	223,200
Pension Refunding bonds	43,350,000	43,350,000
Green Trust Loan Payable	73,958	81,387
Sgt Anthony Park Loan Payable	122,939	129,400
Roberto Clemente Park Loan Payable	240,791	253,445
Marion Pavonia Pool Loan Payable	360,338	379,275
Apple Tree House Loan Payable	189,281	200,003
Hudson County Improvement Authority Loan Payable	2,527,778	2,888,889
Tax Refunding Notes Payable	20,540,486	12,253,000
Improvement Authorizations:		
Funded	87,438,174	81,077,766
Unfunded	46,452,363	46,239,248
Capital Improvement Fund	3,986	431
Miscellaneous Reserves	10,716,447	7,996,441
Reserve for:		
Due from Jersey City Incinerator Authority	-	440,000
Due from Jersey City Municipal Utilities Authority	-	4,000,000
Multi-Park Development Loan Payable	615,000	-
Montgomery Gateway Development Loan Payable	50,000	-
Berry Lane Loan Payable	130,000	-
Total Liabilities and Reserves	727,055,759	693,427,202
Fund Balance	6,259,076	2,258,676
Total Liabilities, Reserves, and Fund Balance	$ 733,314,835	$ 695,685,878

There were Bonds and Notes Authorized But Not Issued at June 30, 2009 and 2008 of $82,209,436 and $81,431,156, respectively.

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
GENERAL CAPITAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF FUND BALANCE

Balance: June 30, 2008		$ 2,258,676
Increased by:		
Due from Current Fund	$ 400	
Received from JCMUA	4,000,000	
		4,000,400
Balance: June 30, 2009		$ 6,259,076

See Accompanying Notes to Financial Statements

CITY OF JERSEY CITY
GENERAL FIXED ASSETS
AS OF JUNE 30, 2009

COMPARATIVE BALANCE SHEET

	2009	2008
Assets:		
Land	$ 32,434,660	$ 32,434,660
Improvements	69,851,506	69,851,506
Machinery and Equipment	50,206,792	44,649,905
Total Assets	$ 152,492,958	$ 146,936,071
Investment in Fixed Assets:		
Investment in Fixed Assets	$ 152,492,958	$ 146,936,071

See Accompanying Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, three of which are elected at-large by voters of the City and serve a term of four years beginning on the first day of July next following their election. The Mayor is also elected directly by the voters of the City and also serves a term of four years beginning the first day of July following the 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. Governmental Accounting Standards Board ("GASB") Statement 14 establishes criteria to be used to determine which component units should be included in the financial statements of the oversight entity. 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 it component units. If the provisions of GASB No. 14 had been complied with, the following financial statements of the component units would have been discretely presented with the financial statements of the City, the primary government:

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
Jersey City Parking Authority	Jersey City Municipal Utilities Authority
Jersey City Housing Authority	Jersey City Redevelopment Agency
Jersey City Employment and Training Program, Inc.	
Jersey City Employees' Retirement System	

Audit reports of the component units are available at each of the respective component units. If the report were prepared in conformity with accounting principles generally accepted in the United States of America, these component units would be included in the City's financial statements

B. DESCRIPTION OF FUNDS

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).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DESCRIPTION OF FUNDS (continued)

The accounting policies of the City conform to the accounting principles applicable to municipalities which have been prescribed by the Division. Such principles and practices 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 financial transactions and accounts of the City are organized on the basis of funds which is different from the fund structure required by GAAP. A fund is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division, the City accounts for its financial transactions through the following individual funds:

Current Fund - resources and expenditures for governmental operations of a general nature.

Trust Fund - receipts, custodianship, and disbursement of funds, including the Federal and State Grants Fund, in accordance with the purpose for which each reserve was created.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund. General, water and school bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

General Fixed Assets - used to account for fixed assets required in general operations.

***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 N.J.S.A. 40A:4 et seq. Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

C. BASIS OF ACCOUNTING

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from GAAP applicable to local government units. The more significant differences are explained in the following paragraphs:

***Grant Revenues* -** Federal and State grants, entitlements or shared revenues received for purposes normally financed through the current fund are recognized when anticipated in the City budget. GAAP requires such revenues to be recognized in the accounting period when they become available and measurable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

Property Taxes and Other Revenues **-** property taxes and other revenues are recognized on a cash basis, realized as revenues when collected. Receivables for property taxes and other items that are susceptible to accrual are recorded with fully offsetting reserves on the balance sheet of the City's current fund. Accordingly, no provision has been made to estimate that portion of receivables that are uncollectible. GAAP requires such revenue to be recognized in the accounting period in which they become available and measurable, reduced by an allowance for doubtful accounts.

Reserve for Uncollected Taxes **-** the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

Expenditures - unexpended or uncommitted appropriations, at year-end, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures in the current 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 **-** contractual orders at year-end are reported as expenditures through establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures or liabilities under GAAP.

Appropriation Reserves - are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriations reserves are recorded as additions to income. Appropriation reserves are not established under GAAP.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation, sick and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

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

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

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. Under GAAP, interfunds receivable are not recorded through operations.

Deferred Charges to Future Taxation - Funded and Unfunded - upon the authorization of 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. According to the N.J.S.A. 40A:2-4, the City may levy taxes on all taxable property within the local unit, 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 local unit, to repay the debt. GAAP does not require the establishment of deferred charges to future water rents.

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.

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.

Use of Estimates - the preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

General Fixed Assets - N.J.A.C. 5:30-5.6 codifies Technical Accounting Directive No. 86-2, Accounting for Governmental Fixed Assets, as promulgated by the Division, which differs in certain respects from GAAP, requires the inclusion of a statement of general fixed assets of the City as part of its basic financial statements. It also requires the City to place historical value on all fixed assets put into service, to maintain a subsidiary ledger of detailed records of fixed assets and to provide property management standards to control fixed assets

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

General Fixed Assets (continued) - 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. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized.

General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in a separate General Fixed Assets Fund rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements. Fixed assets acquired through grants in aid or contributed capital has not been accounted for separately. 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.

Cash and Investments - New Jersey governmental units are required by N.J.S.A. 40A:5-14, to deposit public funds in a bank or trust company having its place of business in the State of New Jersey, and organized under the laws of the United States or of the State of New Jersey or the 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 cash management plan adopted by the City requires it to deposit funds 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. N.J.S.A.17:9-42 requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both State and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. 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.

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

Also see Note 2 - Cash and Cash Equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 the financial statements listed in the table of contents which are required by the Division of Local Government Services and which differ from the financial statements required by GAAP.

NOTE 2. CASH AND CASH EQUIVALENTS

A. DEPOSITS

All cash and cash equivalents on deposit as of the years ended June 30, 2009 and 2008 are partially insured by the Federal Deposit Insurance Corporation (herein referred to as "FDIC) up to $250,000, as approved by Congress through December 31, 2013, for each depository. Deposits in excess of FDIC limits are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (see Note 1 - Cash and Investments) or are on deposit with the New Jersey Cash Management Fund.

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. 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.

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 June 30, 2009 are held in foreign currency.

As of June 30, 2009, none of the City's deposits of $121,033,867 was exposed to either custodial credit risk or foreign currency risk.

At June 30, 2009, the City's deposits are summarized as follows:

Insured – FDIC	$ 1,539,380
Insured – GUDPA	119,228,403
New Jersey Cash Management Fund	266,084
	$ 121,033,867

NOTE 2. CASH AND CASH EQUIVALENTS (continued)

B. INVESTMENTS

New Jersey statutes permit the City to purchase the following types of securities:

- 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 established pursuant to section 1 of P.L. 1977, c. 281 (C.52:18A-90.4).
- Agreements for the repurchase of fully collateralized securities if

  (a) the underlying securities are permitted investments pursuant to the fist and third bullets on the preceding page, (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 as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) 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 as mentioned in Note 2A. 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 June 30, 2009.

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 – The City does not have an investment policy regarding the management of credit risk but holds no debt security investments other than obligations of or guaranteed by the federal government.

NOTE 2. CASH AND CASH EQUIVALENTS (continued)

B. INVESTMENTS

Concentration of Credit Risk - The City places no formal limit on the amount the City may invest in any one issuer.

New Jersey Cash Management Fund - All investments in the New Jersey Cash Management Fund are governed by the regulations of the State Investment Council (the “Council"), which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the State of New Jersey, 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 as additional protection for the Other-than-State participants. In addition to the Council regulations, the Division of Investments sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. The City does not own specific identifiable securities, but instead has a net realizable interest in the joint value of the fund. As of June 30, 2009 and 2008, the City had a balance of $266,084 and $264,478, respectively, in the New Jersey Cash Management Fund.

NOTE 3. PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

A. PROPERTY TAXES RECEIVABLE

Delinquent Taxes and Tax Title Liens - As mentioned in Note 1, 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. For the years ended June 30, 2009 and 2008, property taxes receivable were $86,200 and $150,022, respectively and tax title liens receivable were $1,319,851 and $1,962,730, respectively.

Property Acquired by Tax Title Lien Liquidation **–** The City held its annual accelerated tax sale on July 7, 2009. All properties with delinquent taxes at June 8, 2009 were subject to tax sale, with the exception of any property where the owner is bankrupt or there is a court order. The value of properties acquired by tax title liens at June 30, 2009 and 2008 were $2,300,600 and $2,318,400, respectively. The City received permission from the Division to keep its books open until the tax sale date and to record the effect of those transactions for the year ended June 30, 2009, despite the sale being held in the next fiscal year.

Prepaid Taxes - Taxes collected in advance are recorded as cash liabilities in the financial statements and were $377,620 and $375,102 for the years ended June 30, 2009 and 2008, 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 and were $974,260 and $3,110,915 for the years ended June 30, 2009 and 2008, respectively.

NOTE 3. PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR (continued)

A. PROPERTY TAXES RECEIVABLE (continued)

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the City's annual budget protects the City from taxes not paid currently and, as mentioned in Note 1, is the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year. It is a budget appropriation and is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. For the years ended June 30, 2009 and 2008, the budgeted reserve for uncollected taxes was $1,503,973 and $1,581,460, respectively.

B. PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. Property taxes unpaid on April 1 of the year following their final due date are subject to tax sale in accordance with State statutes. 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 entities that follow:

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the Board of Education. Operations is charged for the full amount required to be raised from taxation to operate the local school district.

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. 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 calendar year.

NOTE 4. LONG-TERM DEBT

A. SUMMARY OF MUNICIPAL DEBT

The Local Bond Law, N.J.S.A. 40A:2, governs the issuance of bonds to finance general municipal and utility capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. 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.

NOTE 4. LONG-TERM DEBT (continued)

A. SUMMARY OF MUNICIPAL DEBT (continued)

During the year ended June 30, 2009, the City did not issue any Refunding Bonds, but did issue Refunding Notes. Notes of the City outstanding at June 30, 2008, which were refunded with proceeds of the newly issued Refunding Notes, are as follows:

Notes Outstanding as of June 30, 2008 Refunded During the Fiscal Year Ended June 30, 2009

Description	Balance June 30, 2008	Portion of bonds refunded	Balance June 30, 2009
Refunding Notes of June 30, 2008, Original Issue of June 29, 2006	$ 5,000,000	$ 4,000,000	$ -
Refunding Notes of June 30, 2008, Original Issue of June 29, 2006	2,253,000	1,502,000	-
Refunding Notes of June 30, 2008, Original Issue of June 29, 2007	2,800,000	2,100,000	-
Refunding Notes of June 30, 2008	2,200,000	1,466,667	-
Total Notes Refunded During the Year Ended June 30, 2009		$ 9,068,667	

Note: The above columns are not intended to tabulate across, they are for reference only. For more detailed information regarding these refunding issues, see Exhibit C-20.

General Serial Bonds Payable

The City has outstanding at June 30, 2009 various general serial bond debt issues. The table on the following page is a summary of the activity for such debt during the year ended June 30, 2009 and the short term liability for each issue:

NOTE 4. LONG-TERM DEBT (continued)

A. SUMMARY OF MUNICIPAL DEBT (continued)

Summary of General Serial Bonds Activity

Description	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Due by June 30, 2010
Fiscal Year Adjustment Bonds Issued 11/01/1991	$ 4,185,639	$ -	$ 1,496,953	$ 2,688,686	$ 1,388,956
Fiscal Year Adjustment Bonds Issued 09/15/1996	8,075,000	-	2,390,000	5,685,000	2,315,000
General Qualified Refunding Bonds Issued 12/01/2002	16,585,000	-	-	16,585,000	-
General Qualified Bonds Issued 09/01/2003	10,560,000	-	-	10,560,000	-
General Qualified Taxbable Bonds Series 2003B	4,730,000	-	-	4,730,000	-
General Public Improvement Refunding Bonds, Series 2004A	37,195,000	-	-	37,195,000	-
Qualified Public Improvement Refunding Bonds, Taxable Series 2004B	2,425,000	-	-	2,425,000	-
Qualified Public Improvement Refunding Bonds, Taxable Series 2004C	2,805,000	-	-	2,805,000	-
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2004D	3,855,000	-	-	3,855,000	-
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2004D	3,735,000	-	-	3,735,000	-
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2004D	4,625,000	-	-	4,625,000	-
Qualified General Improvement Bonds Series 2005A	15,130,000	-	-	15,130,000	-
Qualified Public Improvement Refunding Bonds, Series 2006A	27,155,000	-	-	27,155,000	-
Qualified Public Improveent Refunding Bonds, Taxable Series 2006B	72,595,000	-	-	72,595,000	-
Qualified Fiscal Year Adjustment Refunding Bonds, Taxable Series 2006E	27,305,000	-	-	27,305,000	-
Qualified General Improvement Bonds Series 2006A	32,013,000	-	1,000,000	31,013,000	1,300,000
Qualified General Improvement Refunding Bonds, Series 2007A	27,680,000	-		27,680,000	-
Qualified General Improvement Refunding Bonds, Series 2007A	26,242,000	-	900,000	25,342,000	1,130,000
Qualified General Improvement Bonds Series 2009	-	39,928,000	-	39,928,000	1,255,000
	$ 326,895,639	$ 39,928,000	$ 5,786,953	$ 361,036,686	$ 7,388,956

NOTE 4. LONG-TERM DEBT (continued)

A. SUMMARY OF MUNICIPAL DEBT (continued)

School Serial Bonds Payable

The City has outstanding at June 30, 2009 various school serial bond debt issues. The following table is a summary of the activity for such debt during the year ended June 30, 2009 and the short term liability for each issue:

Summary of School Serial Bonds Activity

Description	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Due by June 30, 2010
School Refunding Bonds Issued 09/15/1997	$ 19,670,000	$ -	$ 4,215,000	$ 15,455,000	$ 3,950,000
Qualified School Bonds Series 1999A	1,590,000	-	780,000	810,000	810,000
School Refunding Bonds Issued 12/01/2002	27,815,000	-	2,690,000	25,125,000	3,525,000
Qualified School Refunding Bonds Series 2005C	32,610,000	-	1,730,000	30,880,000	2,180,000
Qualified School Refunding Bonds Series 2007C	12,595,000	-	-	12,595,000	-
Qualified School Bonds Series 2007A	16,475,000	-	595,000	15,880,000	620,000
	$ 110,755,000	$ -	$ 10,010,000	$ 100,745,000	$ 11,085,000

Pension Refunding Bonds Payable

The City has outstanding at June 30, 2009 various pension refunding bond debt issues. The following table is a summary of the activity for such debt during the year ended June 30, 2009 and the short term liability for each issue:

Summary of Pension Refunding Bonds Activity

Description	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Due by June 30, 2010
Pension Obligation Refunding Bonds Series 2003A, Taxable	$ 22,540,000	$ -	$ -	$ 22,540,000	$ -
Pension Obligation Refunding Bonds Series 2003A, Taxable	17,465,000	-	-	17,465,000	-
Pension Obligation Refunding Bonds Series 2006, Taxable	3,345,000	-	-	3,345,000	-
	$ 43,350,000	$ -	$ -	$ 43,350,000	$ -

NOTE 4. LONG-TERM DEBT (continued)

A. SUMMARY OF MUNICIPAL DEBT (continued)

Water Serial Bonds Payable

The City has outstanding at June 30, 2009 various water serial bond debt issues. The following table is a summary of the activity for such debt during the year ended June 30, 2009 and the short term liability for each issue:

Summary of Water Serial Bonds Activity

Description	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Due by June 30, 2010
Water Refunding Bonds of 1996 Issued 09/15/1996	$ 3,110,000	$ -	$ 1,565,000	$ 1,545,000	$ 1,545,000
Water Capital Improvements Issued 03/01/2003	2,575,000	-	-	2,575,000	-
Water Capital Improvements Issued 09/01/2003	1,835,000	-	-	1,835,000	-
Qualified Water Refunding Bonds Series 2004C	12,075,000	-	1,080,000	10,995,000	1,085,000
Qualified Water Refunding Bonds Series 2004C	12,570,000	-	950,000	11,620,000	815,000
Qualified Water Improvement Bonds Series 2005B	1,655,000	-	-	1,655,000	-
Qualified Water Refunding Bonds Series 2006D	6,660,000	-	-	6,660,000	-
Qualified Water Improvement Bonds Series 2006B	4,750,000	-	260,000	4,490,000	270,000
Qualified Water Refunding Bonds Series 2007B	10,930,000	-	-	10,930,000	-
	$ 56,160,000	$ -	$ 3,855,000	$ 52,305,000	$ 3,715,000

NOTE 4. LONG-TERM DEBT (continued)

A. SUMMARY OF MUNICIPAL DEBT (continued)

The repayment schedule of annual debt service principal and interest for the next five years, and five-year increments there-after, for bonded debt issued and outstanding is as follows:

Combined Bond Principal and Interest Repayment Schedule as of June 30, 2009

Fiscal Year Ending June 30,	Total	General Serial Bonds	FYABS	Pension Refunding	School Serial Bonds	Water Serial Bonds
2010	$ 50,730,785	$ 17,180,852	$ 9,396,175	$ 2,364,436	$ 15,920,544	$ 5,868,778
2011	52,767,728	19,332,301	10,280,625	2,364,436	15,067,025	5,723,341
2012	54,596,529	25,217,153	6,891,606	2,974,436	13,849,981	5,663,353
2013	54,629,358	26,737,527	6,873,458	3,115,211	12,436,144	5,467,018
2014	54,477,662	28,570,472	6,870,052	3,277,843	10,492,594	5,266,701
2015-2019	273,066,872	160,369,900	23,730,450	22,115,933	43,601,726	23,248,863
2020-2024	217,586,909	164,648,974	3,106,233	21,668,327	13,888,963	14,274,412
2025-2029	36,992,051	22,016,070	-	8,839,680	3,775,332	2,360,969
2030-2034	13,948,922	1,876,795	-	9,712,595	-	2,359,532
	$ 808,796,816	$ 465,950,044	$ 67,148,599	$ 76,432,897	$ 129,032,309	$ 70,232,967

B. 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 and indicates a statutory net debt of 1.93%. The Equalized Valuation Basis of the City at June 30, 2009 is $21,567,317,673.

	Gross Debt	Deductions	Net Debt
Local school district debt	$ 106,961,026	$ 106,961,026	$ -
General debt	755,236,707	339,218,230	416,018,477
	$ 862,197,733	$ 446,179,256	$ 416,018,477

Net Debt of $416,018,477 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, $21,567,317,673 = 1.93%.

NOTE 4. LONG-TERM DEBT (continued)

C. BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

3 1/2 % of Equalized Valuation Basis	$	754,856,119
Net Debt		416,018,477
Excess Borrowing Power	$	338,837,642

D. LOANS PAYABLE

Demolition Loan Payable
The City received a $744,000 demolition loan in 1999 with total interest of $29,760. Principal and interest payments are due annually until maturity in 2011. Payments of $74,400 in principal and $2,976 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $148,800 and $223,200, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $77,376, consisting of $74,400 in principal and $2,976 in interest.

Wayne Street Park Loan Payable
The City received a $142,000 loan from the Green Trust Program on December 10, 1998, with an interest rate of 2%. Principal and interest payments are due semi-annually until maturity on March 14, 2018. Two payments totaling $7,429 in principal and $1,591 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $73,958 and $81,387, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $9,020, consisting of $7,579 in principal and $1,441 in interest.

Apple Tree House Loan Payable
The City received a $235,894 loan from the Green Trust Program during the year ended June 30, 2005, with an interest rate of 2%. Principal and interest payments are due semi-annually until maturity in 2024. Two payments totaling $10,722 in principal and $3,647 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $189,281 and $200,003, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $14,668, consisting of $10,937 in principal and $3,731 in interest.

Sgt. Anthony’s Park Project Loan Payable
The City received a $145,000 loan from the Green Trust Program on July 5, 2005, with an interest rate of 2%. Principal and interest payments are due semi-annually until maturity on April 8, 2025. Two payments totaling $6,461 in principal and $2,555 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $122,939 and $129,400, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $9,017, consisting of $6,591 in principal and $2,426 in interest.

NOTE 4. LONG-TERM DEBT (continued)

D. LOANS PAYABLE (continued)

Roberto Clemente Park Project Loan Payable
The City received a $284,000 loan from the Green Trust Program on July 5, 2005, with an interest rate of 2%. Principal and interest payments are due semi-annually until maturity on April 8, 2025. Two payments totaling $12,654 in principal and $5,006 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $240,791 and $253,445, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $17,660, consisting of $12,908 in principal and $4,752 in interest.

Marion Pavonia Pool Project Loan Payable
The City received a $425,000 loan from the Green Trust Program on July 7, 2005, with an interest rate of 2%. Principal and interest payments are due semi-annually until maturity on April 12, 2025. Two payments totaling $18,937 in principal and $7,491 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $360,338 and $379,275, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $26,429, consisting of $19,318 in principal and $7,111 in interest.

Hudson County Improvement Authority Loan Payable
The City received a $3,250,000 loan from the Hudson County Improvement Authority during the year ended June 30, 2006 for the purchase and lease of firefighting apparatus, machinery and equipment. Principal and interest payments are due semi-annually until maturity on August 15, 2015. Two payments totaling $361,111 in principal and $118,889 in interest were made during the year ended June 30, 2009. The outstanding balance at June 30, 2009 and 2008 is $2,527,778 and $2,888,889, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $480,000, consisting of $3,111,111 in principal and $118,889 in interest.

Multi-Park Loan Payable
The City received a $615,000 loan from the Green Trust Program during the year ended June 30, 2009 for improvements to various City parks. Principal and interest payments are due semi-annually until maturity on September 24, 2028. No payments were made during the year ended June 30, 2009, the initial year of the loan. The outstanding balance at June 30, 2009 and 2008 is $615,000 and $-0-, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $38,242, consisting of $26,072 in principal and $12,170 in interest.

Montgomery Gateway Loan Payable
The City received a $50,000 loan from the Green Trust Program during the year ended June 30, 2009 for improvements to the Montgomery Gateway. Principal and interest payments are due semi-annually until maturity on December 6, 2028. No payments were made during the year ended June 30, 2009, the initial year of the loan. The outstanding balance at June 30, 2009 and 2008 is $50,000 and $-0-, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $3,109, consisting of $2,120 in principal and $989 in interest.

NOTE 4. LONG-TERM DEBT (continued)

D. LOANS PAYABLE (continued)

Berry Lane Park Loan Payable
The City received a $130,000 loan from the Green Trust Program during the year ended June 30, 2009 for improvements to Berry Lane Park. Principal and interest payments are due semi-annually until maturity on March 30, 2029. No payments were made during the year ended June 30, 2009, the initial year of the loan. The outstanding balance at June 30, 2009 and 2008 is $130,000 and $-0-, respectively. Payments due within one year, or during the fiscal year ended June 30, 2010, total $4,042, consisting of $2,742 in principal and $1,300 in interest.

E. NOTES PAYABLE

The term of bond anticipation notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid or permanently financed no later than the tenth anniversary of the date of the original note. The Division also prescribes that on or before the third anniversary date of the original note and through to the tenth anniversary date, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued, be paid or retired.

At June 30, 2009 and 2008, the City had no bond anticipation notes outstanding.

However, the City has tax refunding notes outstanding as of June 30, 2009 and 2008 of $20,540,486 and $12,253,000, respectively.

NOTE 5. FUND BALANCES APPROPRIATED

The following schedule details the amounts of fund balances available at the end of each year and the amounts utilized in the subsequent years' budgets.

June 30,	Balance at Year End	Utilized in Budget of Succeeding Year	
2009	$ 12,289,750	$ 12,096,000	*
2008	14,794,688	14,019,500	
2007	12,537,196	10,320,500	
2006	19,385,826	19,355,903	
2005	8,629,951	7,050,825	

*On January 13, 2010 the City introduced its budget for the fiscal year ended June 30, 2010. That introduced budget utilizes $12,096,000 of fund balance as revenue. However as of the date of this report, the budget has not been adopted and the amount is subject to change

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

Substantially all City employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Consolidated Police and Fireman's Pension fund (CPFPF), the Public Employees Retirement System (PERS) and the Police and Fireman's Retirement System of New Jersey (PFRS). These systems are sponsored and administered by the State of New Jersey. In addition, certain employees participate in the Employees' Retirement System of the City of Jersey City.

A. STATE-MANAGED PENSION PLANS

The Consolidated Police and Fireman's Pension Fund (CPFPF) 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 Public Employees Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) are cost sharing multiple-employer contributory defined benefit plans, administered by the Division of Pensions in the Department of the Treasury, State of New Jersey.

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 and 25 years for post-retirement health care coverage. Employees who retire at or after age 55 are entitled to a retirement benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years compensation for each year of membership during years of credible service.

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.

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.

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

A. STATE-MANAGED PENSION PLANS (continued)

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. In the CPFPF, the cost of living increases are payable from the State of New Jersey Pension Adjustment Fund, which is funded by the State as benefit allowances become payable. 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.

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.

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:

	Employee Contribution Percentage at June 30,		
System	2009	2008	2007
PERS	5.50%	5.50%	5.00%
PFRS	8.50%	8.50%	8.50%

Employers are required to contribute at an actuarially determined rate in all three systems. During the previous three years, the City made the following contributions as follows:

	Employer Contribution at June 30,				
	2009			2008	2007
System	Paid or Charged	Deferred Contribution	Total Pension Billing	Total Pension Billing	Total Pension Billing
CPFPF	$ 227,435	$ -	$ 227,435	$ 315,220	$ 498,283
PERS	1,156,723	697,589	1,854,312	1,381,276	801,048
PFRS	15,325,656	14,129,001	29,454,657	27,999,000	18,673,706

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

A. STATE-MANAGED PENSION PLANS (continued)

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. The table above shows the amount of deferral for both the PERS and PFRS, as well as the amount that was paid or charged to the City's budgeted appropriations for the year ended June 30, 2009. The combination of the deferral and the amount paid or charged is the City's total pension billing for the year ended June 30, 2009.

Under the terms of the pension deferral allowed under P.L. 2009, c. 19, the City is obligated to commence repayment of the entire deferral, in 15 equal, annual installments, commencing with the year ended June 30, 2012. The total amount of the deferred pension contribution liability as of June 30, 2009 and 2008 was $14,826,590 and $0, respectively.

B. DEFINED CONTRIBUTION RETIREMENT PROGRAM

The Defined Contribution Retirement Program, herein referred to as 'DCRP', was established July 1, 2007, under the provisions of Chapters 92 and 103, P.L. 2007. Individuals eligible for membership in the DCRP include local officials who are elected or appointed on or after July 1, 2007; and employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.

A local elected official is any individual who holds elected public office. Officials elected on or after July 1, 2007 will only be enrolled in DCRP. Elected officials already enrolled in PERS prior to July 1, 2007 based on elected office will remain a PERS member while serving that same elected office. Any break in service or election to a different elected office will automatically enroll the elected official in DCRP. If a retired member of another State-administered retirement system is elected to office, that elected official can choose to either continue receiving retirement benefits from the former employment or suspend such benefits and participate in DCRP.

A local appointed official is any individual appointed by the governor, including those requiring advice and consent of the Senate, or an individual appointed in a similar manner by the governing body of a local public entity. On or after July 1, 2007, a newly appointed official who does not have an existing PERS account will only be enrolled in the DCRP. Appointed officials already enrolled in PERS prior to July 1, 2007 will remain a PERS member while serving that same appointed office.

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

B. DEFINED CONTRIBUTION RETIREMENT PROGRAM (continued)

An appointed official is permitted to join or remain in PERS if that appointed official holds a professional license or certificate to perform and is serving in any of the following capacities: Certified Health Officer, Tax Collector, Chief Financial Officer, Construction Code Official, Qualified Purchasing Agent, Tax Assessor, Municipal Planner, Registered Municipal Clerk, Licensed Uniform Subcode Inspector Principal/Certified Public Works Manager.

Additional minimum DCRP eligibility criteria for a newly elected or appointed official are the same as for a PERS position. However, in the case of DCRP, eligible officials can irrevocable waiver their participation when earning less than $5,000 annually.

Eligible PERS members are enrolled in the DCRP when annual salary exceeds the maximum compensation limit. This may occur upon enrollment into the PERS when an annual base salary is reported on the enrollment application that will exceed the maximum compensation; or when a PERS member’s annual salary is increased to where it will exceed the maximum compensation and it is reported by the employer to the Division of Pensions and benefits.

Enrolled members contribute 5.5% of the base salary to a tax-deferred investment account established with Prudential Financial, which administers the DCRP for the Division of Pensions and Benefits. Members enrolled due to income levels in excess of maximum compensation limits only contribute based on that amount in excess. Member contributions are matched by a 3% employer contribution.

Newly eligible and enrolled members that have existing DCRP accounts or are active or vested members of another State-administered retirement system are immediately vested in DCRP. Conversely, those officials not qualifying for immediate vesting in DCRP will become fully vested upon commencement of their third year of membership. In such case there is no eligible third year of membership, all employee and employer contributions will be refunded to the appropriate contributing parties.

DCRP members may elect to receive all or a portion of the account in a lump-sum distribution, or as a fixed term or life annuity. There is no minimum retirement age under the DCRP. Any distributions of mandatory contributions will automatically render the member retired. Lump-sum cash distributions to members under the age of 55 are limited to the member’s contributions and earnings. Employer matching contributions and earnings are only available after the age of 55. A member may begin collecting an annuity or take a cash distribution at any time after termination of employment, but will no longer be eligible to participate in any State-administered retirement system upon a return to public employment in New Jersey.

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

B. DEFINED CONTRIBUTION RETIREMENT PROGRAM (continued)

DCRP members are covered by employer-paid life insurance, payable to their designated beneficiaries, in the amount of 1 ½ times the annual base salary on which DCRP contributions were based. This benefit continues for up to two years if on an approved leave of absence without pay for personal illness. Life insurance may also be available to members upon retirement at an amount reduced to 3/16 of the annual base salary on which DCRP contributions were based who qualify by being 60 or older with 10 years of participation in DCRP or any age with 25 years of participation. In the case of members enrolled due to income levels in excess of maximum compensation limits, years of participation in either scenario would also include participation in PERS.

DCRP members are eligible 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 so long the member remains disabled or until the age of 70. Benefits terminate should the member begin receiving retirement annuity payments.

C. 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. The plan was also amended on August 19, 1996 to revise the retirement and survivorship benefits payable to retirants 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.

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.

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

C. EMPLOYEES' RETIREMENT SYSTEM OF JERSEY CITY (continued)

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 years ended June 30, 2009 and 2008 was $5,230,349 and $4,841,949, respectively.

The JCERS has an actuarial valuation performed bi-annually as required by GASB Statement No. 25. The most recent actuarial valuation was performed on December 2, 2008 and shows the financial condition of the JCERS as of January 1, 2008 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:

As of June 30,	Net Pension Obligation	Annual Required Contribution
2008	$ 4,073,310	$ 5,151,443
2009	4,952,720	5,826,552

The actuarial valuation also recommended the following contributions for payment by the City on the basis of covered payroll:

Calendar Year	Actuarially Recommended Contributions	Covered Payroll*
2008	5,599,249	32,926,273
2009	5,823,219	34,243,324

* covered payroll is actual for 2008 and estimated for 2009

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.

NOTE 6. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

D. DEFERRED COMPENSATION PLAN (unaudited)

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code section 457. The plan permits employees to defer a portion of their salary to future years. Individuals are 100% vested. The plan is funded solely from voluntary employee payroll deductions. Distribution is available to employees upon 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 property and rights of the individual contributors and are not subject to the claims of the City's general creditors.

	Additions to Plan	Deductions from Plan	Plan Value
Value of Plan Assets at June 30, 2008			$ 111,721,111
Employee Contributions/(Distributions)	$ 8,128,388	$ (3,161,353)	
Distributions to Retiree Annuitants	-	(3,279,019)	
Loss on Value of Plan Assets		(11,143,495)	
Other	26,652	-	
Net Activity	8,155,040	(17,583,867)	(9,428,827)
Value of Plan Assets at June 30, 2009			$ 102,292,284

NOTE 7. POST-EMPLOYMENT BENEFITS

Until December 31, 2007, the City participated in the New Jersey Health Benefits Plan (SHBP) which is a cost-sharing, multi-employer health insurance plan. The SHBP, which was originally established in 1961, provides medical, prescription, drug, mental health / substance abuse and Medicare Part B reimbursements to retirees and their covered dependents.

Effective January 1, 2008, the City switched health benefit plans, leaving SHBP and joining Horizon Blue Cross / Blue Shield of New Jersey.

The City currently accounts for these post retirement benefits on a pay-as-you-go basis.

In accordance with Governmental Accounting Standards Board Statement Numbers 43 and 45, an actuarially determined liability should be calculated for other post retirement benefits (OPEB). As of June 30, 2009, the City hired an actuary to perform the required calculations, however, as of the date of this report, the actuarial valuation is still in process and no actuarial accrued liability or net OPEB obligation has been determined.

NOTE 8. 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 June 30, 2009 and 2008 the total accumulated absence liability was $73,979,519 and $72,564,113, respectively. No funds are reserved for accumulated absences. However, the City budgets compensated absence appropriations annually. For the years ended June 30, 2009 and 2008 the City budgeted $4,500,000 and $6,643,500, respectively, in accumulated absence obligations.

Subsequent to year end, an unusual number of employees have filed for retirement from the City. Due to the fluidity of the retirement filings, an accurate liability could not be calculated. However, the compensated absence obligation for retirements subsequent to year end is expected to be significantly higher than the amounts paid in prior years.

NOTE 9. 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.
- General liability excess coverage of $5,000,000 per occurrence, $10,000,000 aggregate, after exhaustion of a retained limit of $250,000 and $500,000 for workers' compensation claims.
- Building coverage ranging from $50,000 to $14,500,000, depending on the location insured.
- Business personal property coverage ranging from $15,000 to $2,500,000, depending on the location insured.
- Water treatment property coverage ranging from $20,808 to $4,371,761, depending on the location insured.
- Water treatment business personal property coverage ranging from $12,485 to $12,778,198, depending on the location insured.

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 10. FIXED ASSETS

The City had the following investment balance and activity in general fixed assets for and as of the year ended June 30, 2009:

	Balance, June 30, 2008	Activity During Current Year: Acquisitions	Activity During Current Year: Dispositions	Balance, June 30, 2009
Land	$ 32,434,660	$ -	$ -	$ 32,434,660
Improvements	69,851,506	-	-	69,851,506
Machinery and Equipment	44,649,905	5,556,887	-	50,206,792
	$ 146,936,071	$ 5,556,887	$ -	$ 152,492,958

In accordance with accounting practices prescribed by the Division, and as further detailed in Note 1, no depreciation has been provided for and fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

NOTE 11. INTERFUND BALANCES

As of June 30, 2009, the following interfund balances remained on the City's records for the reasons as stated:

Amount	Due from:	Due to:	Purpose of Interfund Balance
$ 8,732	General Capital	Current Fund	June, 2009 interest on investments earnd but not turned over.
14	Animal Control Fund	Current Fund	Municipal revenues collected by Animal Control.
745,785	Current Fund	Capital Fund	Re-establish reserves in Capital Fund from Current Fund.
378,936	Current Fund	Other Trust Fund	Re-establish reserves in Trust Fund from Current Fund.
115,924	Current Fund	Other Trust Fund	Cash advances not returned, net cancellations and transferred.
78,552	HOME	Payroll Clearing	Excess payroll charges paid to taxation entity over reimbursed from HOME.
8,885	CDBG	Payroll Clearing	Excess payroll charges paid to taxation entity over reimbursed from CDBG.
3,275	Payroll Clearing	HOPWA	Excess payroll charges reimbursed by HOPWA over expenditure to taxation entity.
27,629	Current Fund	State and Federal Grants Fund	Advanced to Current Fund, net grant expenditures paid by Current Fund in prior

NOTE 12. RELATED PARTY TRANSACTIONS

On February 1, 1998, the City transferred certain water operating functions to the Jersey City Municipal Utilities Authority (the "Authority"). Pursuant to the franchise and service agreement, the City and the Authority agreed that the Authority will, in addition to paying the City the cost of the franchise was satisfied on April 1, 2007, (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.

During the year ended June 30, 2003, the Authority issued $84,665,000 of bonds to defease the 1998 debt and acquire an extension of the franchise agreement through March 31, 2028. The City received an additional $42,000,000 for the franchise extension.

During the years ended June 30, 2009 and 2008, the City received the following payments from the Authority:

- Franchise Concession Payments of $13,000,000 and $10,000,000, respectively.
- Water Debt Service Payments of $6,199,591 and $6,282,162 respectively.
- Water Operations Reimbursements of $490,891 and $479,771, respectively.

NOTE 13. 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 14. BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At June 30, 2009 and 2008, the City has authorized but not issued bonds and notes of $82,209,436 and $81,431,156, respectively, in the General Capital Fund.

The following activity relates to bonds and notes authorized but not issued that occurred during the calendar year ended June 30, 2009:

Balance June 30, 2008	Debt Authorized	Debt Issued	Canceled	Balance June 30, 2009
$ 81,431,156	$ 77,399,819	$ 51,399,819	$ 25,221,720	$ 82,209,436

NOTE 15. ECONOMIC DEPENDENCY

The City does not have significant economic dependence on any one taxpayer. However, the ten largest taxpayers of the City as listed in the following table comprise 8% of the City's total tax billing for the year ended June 30, 2009:

Top 10 Taxpayers

Name	Type of Business	2009 Tax Billing
Mack Cali - Plaza II and III	Office	$ 7,332,412
101 Hudson Street Assoicates	Development	4,822,651
Newport Center, LLC	Shopping Center	3,324,297
Wells REIT Financial Tower	Office	2,730,842
BBV US R.E. Fund III / Clarion	Office	2,660,305
Newport Tower	Development	2,535,481
Evergreen America Corp.	Shipping	1,757,933
Newport Center, LLC	Shopping Center	1,676,798
Hudson Mall	Shopping Center	1,442,829
Mack Cali - Plaza I	Office	1,413,552

NOTE 16. CONTINGENT LIABILITIES

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 June 30, 2009 and 2008 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. As of June 30, 2009, the City does not believe that any material liabilities will result from such audits.

Tax Appeals - The City is a defendant in various tax appeals that they are defending vigorously. The tax appeals it is 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, most recently Series 2010. The full amount of this issue is $11,471,819, whereas $11,121,819 is to pay for new appeals and the remaining $350,000 is for the purpose of refunding of previous tax appeal issues.

NOTE 16. CONTINGENT LIABILITIES

Litigation - The City is a defendant in various lawsuits, none of which is unusual for a municipality of its size and should be adequately covered by the City's insurance program, defense program or by the City directly and which may be settled in a manner satisfactory to the financial stability of the City. The City self-insures and also carries excess insurance for all lines of coverage as described in Note 9 to the financial statements. It is anticipated that any judgments in excess of insured coverage would be paid by the City through future taxation or future debt borrowing. During the years ended June 30, 2009 and 2008, the City paid $2,705,400 and $3,328,526, respectively, for judgments and settlements.

Some of the more significant lawsuits with potential for material exposure to the City are highlighted below:

Case Title	Range of Potential exposure			Description of Suit	Status
P. Wilson v. City et al.	unknown	to	unknown	Complaint against response of JCPD to a 9-1-1 call.	Complaint was dismissed on May 1, 2009 but appeal was filed on May 15, 2009.
V. Montone v. City PD et al.	$ 1,450,000	to	$ 1,450,000	Discrimination suit arising from lack of promotion.	Pre-trial proceedings substantially completed.
Estate of Singleton v. City.	$ 2,000,000	to	$ 2,000,000	Wrongful death.	Claim filed on December 9, 2008.
Estate of Segal v. City	unknown	to	unknown	Wrongful death.	Claim file don April 8, 2008.
Brown v. City	unknown	to	unknown	Wrongful death.	Claim filed on August 17,
NJ DEP v. Occidental Chemical Corp and City, et al.	unknown	to	unknown	Third party defendant in environmental remediation suit.	Beginning stages of litigation.
Soberal v. City	$ 250,000	to	$ 5,000,000	Wrongful death.	Pending in Federal Court. Settlement is being attempted.
Estate of Morales v. City	$ 1,200,000	to	$ 1,200,000	Failure to provide adequate medical training to PD.	Expected for tiral in Federal Court in Spring, 2010.
Wheeler v. City	$ 1,500,000	to	$ 1,500,000	Excessive force.	Discovery.
Bolton v. City	$ 250,000	to	$ 400,000	Excessive force.	Discovery and trial
ABI v. City	$ 1,000,000	to	$ 1,866,048	Contract Retainage, delay damages and excessive charges.	Trial preparation.
Gattas v City	$ 100,000	to	$ 250,000	Excessive force.	Preliminary.
	$ 7,750,000		$ 13,666,048	Total potential exposure of individually significant cases	

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 18, 2010, the date of this report. The following material subsequent events have been noted:

Capital Ordinance – Acquisition of Property - $8,700,000
On October 14, 2009, the City adopted Ordinance No. 09-097 which provides $8,700,000 for the acquisition of certain property located in the City and authorizes the issuance of $8,700,000 of bonds or notes to finance part of the cost thereof.

Capital Ordinance – Acquisition of Property, Parking Authority - $4,600,000
On November 24, 2009, the City adopted Ordinance No. 09-109 which provides $4,600,000 for the acquisition, by the Parking Authority of the City, of real property in the City and authorizes $4,380,950 of bonds or notes to finance the same.

Capital Ordinance – HUD Loan - $8,000,000
On December 16, 2009, the City introduced Ordinance No. 09-122 which authorizes and approves an $8,000,000 loan to the City from the United States Department of Housing and Urban Development pursuant to Section 108 of the Housing and Community Development Act of 1974, the proceeds of which shall be re-lent to Statue of Liberty Harbor North Redevelopment Urban Renewal, LLC.

APPENDIX C

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE GENERAL IMPROVEMENT BONDS, SERIES 2010

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Jersey City, in the County of Hudson, New Jersey (the "Issuer") in connection with the issuance by the Issuer of $__________ principal amount of its General Improvement Bonds, Series 2010 (the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Municipal Council of the Issuer (the "Council"), and a resolution duly adopted by the Council on October 13, 2010 (the "Resolution"). The Bonds are dated November __, 2010 and shall mature on November 1 in the years 2011 through 2040, inclusive. 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 Repositories pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the Repositories 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 5(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 Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

(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 30, 2010, 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. The Issuer shall also provide, or cause the Dissemination Agent to provide, to the MSRB the Issuer's audited financial statements for the fiscal year ending June 30, 2010 within thirty (30) days after they become available. 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 the Repositories 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 __, 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 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. modifications to rights of Bondholders;

8. optional, contingent or unscheduled Bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Bonds; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution. Each notice required to be filed with the MSRB shall be in an electronic format as prescribed by the MSRB, and that 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 5(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(a), 4 or 5(a), 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 next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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 information in any 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 Annual Report or 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 Disclosure Certificate to update such information or include it in any future Annual Report or 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or wilful misconduct. The obligations of the Issuer under this Section 11 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.

Dated: November __, 2010

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

By: ______________________________
Donna 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, New Jersey

Name of Bond Issue: $__________ General Improvement Bonds, Series 2010

Date of Issuance: November __, 2010

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 ______________, 2010. The Issuer anticipates that the Annual Report will be filed by _____________.___, 20__.

Dated:___________ ___, 20__

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

By:____

Name:
Title:

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE GENERAL IMPROVEMENT BONDS (RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS-DIRECT PAYMENT), TAXABLE SERIES 2010C

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Jersey City, in the County of Hudson, New Jersey (the "Issuer") in connection with the issuance by the Issuer of $__________ principal amount of its General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C (the "Bonds"). The Bonds are being issued pursuant to a Bond Ordinance (the "Ordinance") duly adopted by the Municipal Council of the Issuer (the "Council"), and a resolution duly adopted by the Council on October 13, 2010 (the "Resolution"). The Bonds are dated November __, 2010 and shall mature on November 1 in the years 2021 through 2040, inclusive. 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 Repositories pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the Repositories 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 5(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 Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

(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 30, 2010, 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. The Issuer shall also provide, or cause the Dissemination Agent to provide, to the MSRB the Issuer's audited financial statements for the fiscal year ending June 30, 2010 within thirty (30) days after they become available. 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 the Repositories 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 __, 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 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. modifications to rights of Bondholders;

8. optional, contingent or unscheduled Bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Bonds; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution. Each notice required to be filed with the MSRB shall be in an electronic format as prescribed by the MSRB, and that 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 5(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(a), 4 or 5(a), 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 next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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 information in any 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 Annual Report or 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 Disclosure Certificate to update such information or include it in any future Annual Report or 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or wilful misconduct. The obligations of the Issuer under this Section 11 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.

Dated: November __, 2010

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

By: ______________________________

Donna 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, New Jersey

Name of Bond Issue: $__________ General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C

Date of Issuance: November __, 2010

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 ______________, 2010. The Issuer anticipates that the Annual Report will be filed by _____________.___, 20__.

Dated:___________ ___, 20__

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

By:____

Name:

Title:

APPENDIX D

PROPOSED FORMS OF LEGAL OPINIONS OF BOND COUNSEL

An opinion in substantially the following form will be delivered at Closing, assuming no material changes in facts or law.

______________, 2010

Mayor and Council of the City of Jersey City,
in the County of Hudson, New Jersey
280 Grove Street
Jersey City, New Jersey 07302

Re: $__________ City of Jersey City, in the County of Hudson, New Jersey, General Improvement Bonds, Series 2010A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Jersey City, in the County of Hudson, New Jersey (the "City") of its General Improvement Bonds, Series 2010A in the aggregate principal amount of $__________ (the "Bonds"). The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is available to pay the principal of and interest on the Bonds. The Bonds are dated the date of delivery, mature on November 1 in each of the years and bear interest at the rates payable on May 1, 2011 and semiannually thereafter on the first day of November and May in each year until maturity as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2011			2026		
2012			2027		
2013			2028		
2014			2029		
2015			2030		
2016			2031		
2017			2032		
2018			2033		
2019			2034		
2020			2035		
2021			2036		
2022			2037		
2023			2038		
2024			2039		
2025			2040		

The Bonds are subject to optional redemption prior to maturity, as provided in the hereinafter-defined Resolution.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the aggregate principal amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases may be made in the principal amount of $5,000 or any multiple of $1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance No. 09-68 of the City finally adopted by the Municipal Council of the City on June 17, 2009, Bond Ordinance No. 10-081-of the City finally adopted by the Municipal Council of the City on June 23, 2010 (collectively, the "Ordinances") and a resolution adopted by the Municipal Council of the City on October 13, 2010 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing of certain capital improvements, as described in the Ordinances.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Ordinances and the Resolution; (b) such matters of law including, *inter alia,* the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the City; the Ordinances and the Resolution have been duly authorized and adopted by the City; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

2. Assuming continuing compliance by the City with the provisions of the Code applicable to the Bonds, and subject to certain provisions of the Code, under laws, regulations, rulings and judicial decisions existing on the date of original issuance of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed on individuals or corporations. However, interest on the Bonds may become taxable retroactively if certain requirements under the Code are not complied with.

3. Under the laws of the State of New Jersey as enacted and construed on the date hereof, interest on the Bonds and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the City to pay the Bonds is unlimited and the City is required to levy *ad valorem* taxes upon all the taxable real property within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP

An opinion in substantially the following form will be delivered at Closing, assuming no material changes in facts or law.

______________, 2010

Mayor and Council of the City of Jersey City,
in the County of Hudson, New Jersey
280 Grove Street
Jersey City, New Jersey 07302

Re: $__________ City of Jersey City, in the County of Hudson, New Jersey, General Improvement Bonds (Build America Bonds-Direct Payment), Taxable Series 2010B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Jersey City, in the County of Hudson, New Jersey (the “City”) of its General Improvement Bonds (Build America Bonds-Direct Payment), Taxable Series 2010B in the aggregate principal amount of $__________ (the “Bonds”). The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is available to pay the principal of and interest on the Bonds. The Bonds are dated the date of delivery, mature on November 1 in each of the years and bear interest at the rates payable on May 1, 2011 and semiannually thereafter on the first day of November and May in each year until maturity as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2011			2026		
2012			2027		
2013			2028		
2014			2029		
2015			2030		
2016			2031		
2017			2032		
2018			2033		
2019			2034		
2020			2035		
2021			2036		
2022			2037		
2023			2038		
2024			2039		
2025			2040		

The Bonds are subject to redemption prior to maturity, as provided in the hereinafter-defined Resolution.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the aggregate principal amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases may be made in the principal amount of $5,000 or any multiple of $1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance No. 09-68 of the City finally adopted by the Municipal Council of the City on June 17, 2009, Bond Ordinance No. 10-081-of the City finally adopted by the Municipal Council of the City on June 23, 2010 (collectively, the "Ordinances") and a resolution adopted by the Municipal Council of the City on October 13, 2010 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing of certain capital improvements, as described in the Ordinances.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Ordinances and the Resolution; (b) such matters of law including, *inter alia,* the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the City; the Ordinances and the Resolution have been duly authorized and adopted by the City; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

2. Under the laws of the State of New Jersey as enacted and construed on the date hereof, interest on the Bonds and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.

3. The power and obligation of the City to pay the Bonds is unlimited and the City is required to levy *ad valorem* taxes upon all the taxable real property within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraph 2 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

IRS CIRCULAR 230 DISCLAIMER REGARDING THE BONDS. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE BONDS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP

An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law.

______________, 2010

Mayor and Council of the City of Jersey City,
in the County of Hudson, New Jersey
280 Grove Street
Jersey City, New Jersey 07302

Re: $_______________ General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Jersey City, in the County of Hudson,, New Jersey (the "City") of its General Improvement Bonds (Recovery Zone Economic Development Bonds-Direct Payment), Taxable Series 2010C in the aggregate principal amount of $__________ (the "Bonds"). The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is available to pay the principal of and interest on the Bonds. The Bonds are dated the date of delivery, mature on November 1 in each of the years and bear interest at the rates payable on May 1, 2011 and semiannually thereafter on the first day of November and May in each year until maturity as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2021			2031		
2022			2032		
2023			2033		
2024			2034		
2025			2035		
2026			2036		
2027			2037		
2028			2038		
2029			2039		
2030			2040		

The Bonds are subject to redemption prior to maturity, as provided in the hereinafter-defined Resolution.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the aggregate principal amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases may be made in the principal amount of $5,000 or any multiple of $1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance No. 10-081-of the City finally adopted by the Municipal Council of the City on June 23, 2010 (the "Ordinance") and a resolution adopted by the Municipal Council of the City on October 13, 2010 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing of certain capital improvements, as described in the Ordinance.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Ordinance and the Resolution; (b) such matters of law including, *inter alia,* the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the City; the Ordinance and the Resolution have been duly authorized and adopted by the City; and the Bonds,

the Ordinance and the Resolution are legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

2. Under the laws of the State of New Jersey as enacted and construed on the date hereof, interest on the Bonds and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.

3. The power and obligation of the City to pay the Bonds is unlimited and the City is required to levy *ad valorem* taxes upon all the taxable real property within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraph 2 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

IRS CIRCULAR 230 DISCLAIMER REGARDING THE BONDS. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE BONDS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP