

Transitional Aid Application for Application Years CY 2010/SFY 2011
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by July 16 (for CY 2010) and September 30 (for SFY 2011) for funding consideration under this program. Information contained in the application is subject to independent verification by DLGS. Refer to Local Finance Notice 2010-14 when preparing this application for specific instructions and definitions.

Name of Municipality:	Borough of Chesilhurst			County:	Camden
Contact Person:	William E. Hales, Jr.			Title:	CMFO
Phone:	(856) 767-4153	Fax:	(856) 753-1696	E-mail:	cfo@hinellaboro.com
Population:	1,520				

I. Aid History

List amount of Discretionary Aid (Extraordinary, Special Municipal, or Capital Cities) received for the last three years, if any:

Prior Year	Previous Year	Previous less one year
\$360,000	\$318,000	\$250,000

II. Aid Request for Application Year

Amount of aid requested for the Application Year:	\$460,000
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An aid request does not constitute guarantee of receipt of any funds.

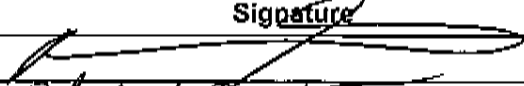
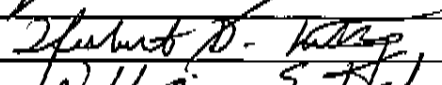
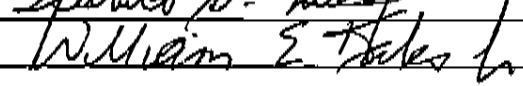
III. Submission Requirements

Without exception, the following items must be submitted with or prior to submission of this application. Indicate date of submission of each.

Item	Date Submitted to DLGS
Prior Year Annual Financial Statement	February 15, 2010
Previous Year Annual Audit	2009 Audit June 30, 2010
Previous Year Audit Corrective Action Plan	2009 Audit July 7, 2010
Application Year Introduced Budget	April 12, 2010
Budget documentation submitted to governing body	April 08, 2010

IV. Application Certification

The undersigned herewith certify that they have reviewed this application and, to the best of their ability, find its contents to be true and that it accurately portrays the circumstances regarding the municipality's fiscal practices and need for financial assistance. By submitting the application, the municipality acknowledges that the law provides that the decision of the Director regarding aid awards is final and not subject to appeal.

Official	Signature	Date
Mayor/Chief Executive Officer		7/14/10
Governing Body Presiding Officer		7/14/10
Chief Financial Officer		7/14/10

V-A. Explanation of Need for Transitional Aid

Explain the circumstances that require the need for Transitional Aid in narrative form. Include factors that result in a constrained ability to raise sufficient revenues to meet budgetary requirements, and if such revenues were raised, how it would substantially jeopardize the fiscal integrity of the municipality. (See item B-5 in Local Finance Notice 2010-14 for details)

2009 Extraordinary Aid Usage

The Borough has received extraordinary aid in 2009 of \$360,000 and these funds were used to fund deferred charges due to overexpenditure of \$274,458, an emergency expenditure of \$28,000 in 2008 and the Borough's share of a lawsuit settlement \$48,853.

2009 Budget Results that effect the 2010 Budget

The 2009 Budget relied on non-recurring revenue of \$311,294 from Reserve for sale of municipal assets. Also, prior to the institution of proper fiscal controls by a new Chief Municipal Finance Officer the Borough overexpended 2008 appropriation reserves by \$21,215 It furthermore, had to adopt emergency resolutions for \$76,950 in 2009 with about half of it related to legal costs associated with legal costs related to community opposition to closing of the local school and sending them to Winslow Township school system. \$10,000 of the emergency appropriation was due to additional audit costs because of poor record keeping in 2008 and remainder was caused by extraordinary snow removal costs and some unexpected expenditures.

2010 Budget Revenue Shortage

For 2010 the Borough suffered State aid reductions of \$128,531.

Other Revenues Other Than Taxes

The Borough's revenues are overly dependent on real estate taxes and state aid due to the small size of the Borough, which is almost entirely residential or vacant land, The Borough is constrained in increasing of fees due to lack of businesses to pay fees and permits and due to the DCA having responsibility for the construction code enforcement and therefore all the fees go to the DCA. Increases in any fees paid by residents would not result in any significant increase in revenue and would just change one type of financial burden property taxed for another the increase fees, with property taxes having the benefit of being able to itemize on the taxpayer's federal tax return that would give them a federal tax deduction benefit.

New Financial Burdens Facing the Borough

The closing of the Borough's school and the dissolution of the local district in accordance with a state law that required the dissolution of local school board's with a non-operating school also will give ownership of the vacant school and primary responsibility for the costs of the Borough's community center that had been previously used and funded by the local school district additional maintenance repairs and utilities in 2010 for these buildings.

Also, a new foreclosure order for properties for unpaid taxes is pending that will increase the amount of non-taxable properties and reduce the tax base in 2011.

V-A. Explanation of Need for Transitional Aid (Cont'd)**2010 Budget is at Bottom of the Barrel**

The Borough's very tight budget is at its very minimal and any unexpected expenditures would likely result in the Borough having to adopt an emergency appropriation.

The Budget already includes across the board freeze in salaries and decreases in most other expense accounts from the 2009 budget amount.

Other than the police department all other Borough employees work 20 hours or less per week and receive no health benefits other than 2 employees the long time deputy Borough clerk and the Chief Financial Officer who received the benefit as a condition for coming to work for the Borough. All employees are in the State Health Benefit Plan (SHBP).

The Borough hall offices and staffed by 1 person in the Tax, Clerk and Court Office and Police window and 1 person performing payroll and processing purchasing and assisting the CMFO.

The tax assessor comes in 1 night per week and is the only person, the certified clerk is paid to come to Borough hall when needed the Certified Tax Collector works four hours 1 day a week and 2 hours 2 nights a week.

The public works dept and sewer department that are responsible for trash pickup, for building repair, maintenance and custodial services, grass cutting, snow removal and road repairs consists of 4 part-time employees.

Tax Burden of Borough Residents

The Borough residents have a significant burden for property taxes due to lack of commercial properties and due to much of the vacant land being undeveloped or owned by the Borough largely through foreclosures that have occurred over the last 50 years. The tax base is extremely low, even after a recent revaluation, in 2008. A 1 cent in tax rate equals only \$9,019. A 1 cent increase is a \$17 dollar increase for the average assessed residential property. The Borough, according to the US Bureau of Censes, has a below state average household income of \$53,053, with the State of New Jersey average being \$70,378.

The Borough residents are burdened not only paying property taxes but also a local \$400 annual fee for sewer services and local lines, but also a \$315 to pay the Camden County Municipal Utilities Authority for regional sewer treatment from the Borough's local sewer system.

The introduced budget has a proposed municipal tax increase of \$849 for the average assessed residential property, just to maintain basic services. A Borough household in these difficult economic times and below state average incomes would find it difficult to assume this additional cost all in one year and especially in one tax quarter.

This type of increase would have a negative impact on the Borough housing market with the Borough's plan of creating a larger tax base by developing Borough owned property. The tax increase would make this plan less likely to occur in the near future.

Conclusion

The Borough needs time to increase its tax base so that it can provide basic services to Borough residents that not cause a extreme tax burden to its residents. This can only occur with the continued support of additional state aid.

V-B Alternate Eligibility Calculation (This Page is Not Applicable)

Complete this section only if Discretionary aid **was not** received in the prior year. If the requirements of this section are met, this application must also reflect that the criteria in Section B, items 2-7 of Local Finance Notice 2010-14 are met.

Part 1 calculates loss of equalized value. If there is a loss of *2% of equalized value*, the eligibility criteria is met and the rest of the form does not have to be completed.

If 2% the criteria is **not** met, continue with Part 2 to identify individual revenue losses (exclusive of State CMPTRA/ETR formula aid reductions) or specific, extraordinary appropriation increases (pursuant to Local Finance Notice 2010-14, Item B-8).

Part 1 – Eligibility of Value Loss	Current Year County Equalization Table County Apportionment (a)	Prior Year Director’s Table Equalized Value (b)	Decrease (c)
Equalized Value Reduction			
Percent of loss from prior year (c) divided by (b) as percent:			
If this exceeds 2%, stop and proceed to the next page.			

Part 2 – Demonstration of Revenue Loss/Substantial Cost Increase

Complete Part 2 if eligibility was not met in Part 1. Show extraordinary revenue losses (exclusive of State CMPTRA/ETR aid reductions), but not as the aggregate of many revenue line items; or specific, extraordinary appropriations. Describe the item on the cell below each entry.

Revenue or Appropriation	Prior Year Value	Current Year Value	Amount of Loss/Increase
Description:			
Description:			
Description:			
Description:			
Description:			
Description:			
Description:			
Description:			
Description:			

V-C Actions to reduce future need for aid

Detail the steps the municipality is taking to reduce the need for aid in the future. Include details about long-term cost cutting and enhanced revenue plans, impact of new development, potential for grants to offset costs, and estimated short and long-term annual savings. Use additional pages if necessary.

In the 2010 and 2011 short term cost reductions**1. The Borough's Police Force is the single largest item in the Borough's budget**

The Police Union contracts expired December 31, 2009 is still being negotiated and the Borough is bargaining for reductions in wages, including reduced overtime, special pay and compensated absences and accumulation of such absences.

For 2010 the Borough has already received concessions from the unions to maintain salaries and wages at their 2009 level.

The Police Union contracts expired that December 31, 2009 is still being negotiated and the Borough is bargaining for reductions in wages, including reduced overtime, special pay and compensated absences and accumulation of such absences. These amounts are expected to reduce the overall costs of the Police Department budget significantly starting in 2011.

2. Other Employee wages have been frozen at the 2009 amount.**3. Other expense accounts have been budgeted at 2009 actual expenditures or below****4. The Borough has refrained from funding any new capital projects****5. Experienced Chief Municipal Finance Officer**

In the middle of 2009 the Borough hired a new Chief Municipal Finance Officer who is also a Registered Municipal Accountant with a back ground that includes many years auditing municipalities who works at the Borough Hall each day of the week and has instituted fiscal controls over expenditures and reviews and reports to the governing body on a monthly basis the budget to actual amounts. This appointment has significantly reduced overexpenditure of the budget accounts and has greatly increased fiscal oversight over spending.

6. Out Sourcing of Services

During 2009 the Borough began to outsource Fire and Ambulance services to neighboring Winslow Township fire district and Cederbrook Ambulance Association because the Borough was unable to find enough credited volunteers to lawfully provide this service. The 2010 contracts for these services have been negotiated at a cost savings.

The Borough has looked into shared services for public works function including trash removal but due to the Borough's low pay and benefit structure it did not conclude that any cost saving could be obtained.

Future Long Term Initiatives**1. Redevelopment Zone**

The Borough has established a redevelopment zone and expects to contract with a developer for payments in lieu of taxes, which would be a new source of revenue for the Borough. However, due to the overall economic climate any agreement is not expected to occur in the current or following year.

2. Sale and Development of Borough Owned Properties

The Borough owns considerable amount of vacant land, largely obtained from foreclosures. The properties have an assessed value exceeding \$7 million dollars. The Borough will also obtain ownership of properties owned by the Chesilhurst Board of Education, which has been dissolved as a non-operating school district under a recently enacted state law. These properties have an assessed value of over \$3 million dollars.

The long range plan is to market these properties to either developers or to individuals.

While the current market is not favorable it expects in the next few years for the real estate market to improve and for these properties to be sold, developed and become part of the Borough's tax base. While this development would likely be residential, due to the locations of most of the properties, some along the White Horse Pike (Route 30), that is a significant traveled Road between Philadelphia and Atlantic City, could see commercial property development.

The Borough's limited resources and in house expertise has greatly reduced its ability to market these properties in the past. It is looking for grants or other funding or their State assistance so that it can contract with a qualified organization to market and or negotiate for the sale and development of these properties.

3. Increases in the Tax Levy

The Mayor and Governing body strongly believe that the overall majority of residents desire to maintain a independent municipality and while they are open to shared services agreements if they can provide real cost savings, while still giving the Borough residents overall control of how services are provided the residents are willing to pay additional taxes to remain independent.

If other initiatives do not bring in additional revenues or reduction of costs the Borough will increase the tax levy gradually to the amount needed to provide the basic services to Borough residents.

VI. Historical Fiscal Statistics

Item	Actual Previous Year 2008	Actual Prior Year 2009	Introduced Application Year 2010
1. Property Tax/Budget Information			
Municipal tax rate	.756	.958	1.470
Municipal Purposes tax levy	\$667,061	\$856,779	\$1,326,198
Municipal Open Space tax levy	N/A	N/A	N/A
Total general appropriations	\$2,677,311	\$3,183,577	\$2,625,043
3. Cash Status Information			
% Of current taxes collected	90.30%	86.84%	%
% Used in computation of reserve	87.00%	90.00%	88.37%
Reserve for uncollected taxes	\$259,161	\$219,178	\$311,933
Total year end cash surplus	\$30,880	\$179,648	
Total non-cash surplus	\$362,163	\$146,620	
Year end deferred charges	\$362,163	\$146,620	
4. Assessment Data			
Assessed value (as of 7/1)	\$88,215,810	\$89,353,019	\$90,190,179
Average Residential Assessment	\$164,835	\$165,801	\$165,801
Number of tax appeals granted	2	3	
Amount budgeted for tax appeals	None	None	None
Refunding bonds for tax appeals	None	None	None
5. Full time Staffing Levels			
Uniformed Police - Staff Number	10	10	10
Total S&W Expenditures	\$704,278	\$692,672	\$677,839
Uniformed Fire - Staff Number	N/A	N/A	N/A
Total S&W Expenditures	N/A	N/A	N/A
All Other Employees - Staff Number	21	21	21
Total S&W Expenditures	\$344,804	\$347,246	\$352,147

6. Impact of Proposed Tax Levy

			Amount
Current Year Taxable Value			\$90,190,179
Introduced Tax Levy			\$1,326,198
Proposed Municipal Tax Rate	1.470	Average Res. Value (#4 above)	\$165,801
Current Year Taxes on Average Residential Value (#4 above)			\$2,437
Prior Year Taxes on Average Residential Value			\$1,588
Proposed Increase in average residential taxes			\$849

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment 2008

B. Proposed Budget – Appropriation and Levy Cap Information

Item	Yes	No
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	X	
2.5%		
2. Amount of appropriation cap bank available going into this year		
None		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance	X	
N/A		
4. Does the Application Year anticipate use of a waiver to exceed the levy cap? If YES, amount:	X	
\$273,812		

C. List the five largest item appropriation increases:

Appropriation	Application Year Proposed	Prior Year Actual	\$ Amount of Increase
Reserve for Uncollected Taxes	\$311,933	\$219,179	\$92,756
Police and Firemen’s Retirement System	\$128,841	\$58,319	\$70,522
Emergency Appropriations	\$76,950	\$28,000	\$48,950
Group Insurance	\$170,000	\$132,398	\$70,522
Other Insurance	\$42,000	\$24,957	\$17,043

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

Department/Agency	Position	Number	Dollar Amount
	None		

E. Display projected tax levies, local revenues (not grants), anticipated (gradually reduced) Transitional Aid, total salary and wages, and total other expenses projected for the three post-application years:

	Tax Levy (2)	Local Revenues (1)	Transitional Aid	Total S&W (3)	Total OE (3)
First year	\$928,000	\$605,000	\$432,660	\$1,051,000	\$1,591,000
Second year	\$1,033,600	\$740,000	\$244,880	\$1,072,000	\$1,622,820
Third year	\$1,179,600	\$775,000	\$117,776	\$1,093,440	\$1,655,276

(1) Includes Fund Balance and Utility Fund Balance and Sale of Borough Properties and PILOTS (new revenue) but not State Aid or Grants

(2) Anticipates Increases in Levy from tax rate increases and increases from ratable growth from sale of Borough owned property

(3) Anticipates keeping Increases to 2%

VIII. Financial Practices

A. Expenditure controls and practices:

Question	Yes	No
1. Is an encumbrance system used for the current fund?	X	
2. Is an encumbrance system used for other funds?	X	
3. Is a general ledger maintained for the current fund?	X	
4. Is a general ledger maintained for other funds?	X	
5. Are financial activities largely automated?	X	
6. Does the municipality operate the general public assistance program?		X
7. Are expenditures controlled centrally (Yes) or de-centrally by dept. (No)?	X	
8. At any point during the year are expenditures routinely frozen?	X	
9. Has the municipality adopted a cash management plan?	X	
10. Have all negative findings in the prior year's audit report been corrected?		X
If No, list those uncorrected as an appendix.		

Corrective Action Plan Submitted Audit 2009 findings

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

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

C. Salary and Employee Contract Information (when more than one bargaining unit for each category, use average):

Question	Police	Fire	Other Contract	Non-Contract
Year of last salary increase	2009	N/A	N/A	2008
Average percentage increase	0%	N/A%	N/A%	0%
Last contract settlement date	Not Settled	N/A	N/A	
Contract expiration date	12/31/09	N/A	N/A	

Explain if any of the following actions have been taken or are under consideration for the Application Year:

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)	No	N/A	N/A	No
Wage Freezes (describe below)	Yes	N/A	N/A	Yes
Police contract concessions for reductions in salaries to prior year level. For non contract employees Mayor has ordered a wage freeze for 2010.				
Layoffs (describe below)	No	N/A	N/A	No

D. Tax enforcement practices:

Question	Yes	No
1. Does the municipality use the accelerated tax sale program?		X
2. When was the last foreclosure action taken or tax assignment sale held: Date:	2002 new one started 2009 not finalized	
3. During 2009, on what dates were tax delinquency notices sent out: Date:	2/23,5/26,7/19/10/28	
4. Date of last tax sale: Date:	12/9/2009	

E. Specialized Service Delivery:

If the answer to either question is “Yes,” provide (as an appendix) a cost justification of maintaining the service without changes.

Service	Yes	No
Sworn police or firefighters are used to handle emergency service call-taking and dispatch (in lieu of civilians)		X
The municipality provides rear-yard solid waste collection through the budget		X

F. Other Financial Practices

1. Amount of interest on investment earned in:

Prior Year:	\$8,833	Last Year:	\$2,401	Anticipated Application Year:	\$2,000
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2. List the instruments in which idle funds are invested:

New Jersey Cash Management Fund	
Interest Earning Bank Accounts all accounts	

3. What was the average return on investments during CY 2009?

.80%

4. When was the last time fee schedules were reviewed and updated?

2007

F. Status of Collective Negotiation (Labor) Agreements: List each labor agreement by employee group, contract expiration date, and the status of negotiations of expired contracts.

Employee Group	Expiration Date	Status of Negotiations of Expired Agreement
PBA -Police – Patrolmen to Sergeants	12/31/09	On-going Negotiations Borough seeking cost reductions
Police Superior Officers Lt. and Chief	12/31/09	On-going Negotiations Borough seeking cost reductions
None		

IX-C. Evaluate existing local revenues, as to whether or not the rates or collections can be increased, and if so, how changes will be implemented. (See B-7 in Local Finance Notice 2010-14 for details)

Local Revenues	Prior Year Realized	Application Year Anticipated	Evaluation, Recommendation, and Implementation Plan
Alcoholic Beverage Licenses	\$3,760	\$2,200	Increased fees due to transfers no action to be taken on these fees. Due to only 2 businesses have licenses.
Fees and Permits	\$15,682	\$15,000	Represented largely by fees paid by trailer park and copy fees Review of these fees will be done during 2010.
Municipal Court Fines and Costs	\$60,774	\$60,000	20,000 increase from 2009 to 2009 due to a new Court Administrator. Fines and Costs largely set by state law. No action to be taken.
Interest and Costs on Taxes	\$39,050	\$37,000	Various from Year to Year due to dependent on amount of delinquent taxes outstanding and paid. Interest and Costs already charged at State Statute maximum.
Interest on Investments	\$2,401	\$2,000	Amount earned has been lower from past year due to greatly reduced interest rates and cash flow reductions caused by tighter budget and at times due to delays in issuing debt currently all debt needed to fund projects has been issued. The Borough will looking for ways to get a higher rate of return on investments but don't expect a major change in this source of revenue in current year.
Delinquent Taxes	\$169,174	\$177,839	Delinquent Tax Revenue for current year is higher due to lower collection rate in 2009 due to late mailing of 4 th quarter bills because of long delay in receiving notice of amount of extraordinary aid. A pending foreclosure will result in cancellation of uncollectible balances. Expectation that 2011 will see a reduction in revenue from this source.
Sewer Utility Fund Balance	\$125,000	\$125,000	Depending on operating surplus in sewer utility fund would expect an increase if new development occurs in the Borough.

IX-C. Evaluate existing local revenues, as to whether or not the rates or collections can be increased, and if so, how changes will be implemented. (See B-7 in Local Finance Notice 2010-14 for details) (Cont'd)

Local Revenues	Prior Year Realized	Application Year Anticipated	Evaluation, Recommendation, and Implementation Plan
Sale of Municipal Assets and Pilots from Development Zone	None	None	Plan to sell municipal owned properties and additional revenue from PILOTS next 3 years for full implementation.
Fund Balance	\$168,231	\$170,000	Results largely from excess budget revenues, interfund liquidations and Lapsed appropriation reserves but also from Miscellaneous Revenues Not Anticipated that is made up of some recurring revenues. The 2 largest are the Cell Tower Rental Fees which has a contract provision of a 3% annual increase. The other is a payment in lieu of taxes of 15% of Annual Gross Rents from B'nai B'rith Chesilhurst House Inc these amounts are expected to be \$24,437 and 19,500 in 2010. Expectation is that less will be available in 2011 due to no significant interfunds to liquidate and less amount to lapse in appropriation reserves.

Section XI – Impact of Limited or No Aid Award

Describe in complete detail the impact if aid is not granted for the current fiscal year; **this priority setting requires that the municipality will maintain a minimum level of essential services.** List the appropriate category of impact if the aid is not received. Rank each item from both lists as to the order in which elimination will take place. If across the board cuts will be made, indicate under service. **For rank order purposes, consider the two sections as one list. The cuts outlined here are one that the municipality is committing to make if they do not receive aid.**

*****The Borough believes its budget is already at the minimum needed to provide basic services – If the Borough does not receive aid they will follow through with applying for a tax levy cap waiver and tax increase for the amount included in the introduced budget—The Mayor and Governing body feel Borough residents will greatly sacrifice to maintain basic services and a independent community**

Rank Order	Department	# of Layoffs	Effective Date	2010 Full Time Staffing	2011 Full Time Staffing	\$ Amount to be Saved
	<u>None see above response</u>					
	<i>***A hidden cost of layoffs is that for police officers they are entitled to be paid for unused compensated absences for some officers the amounts to be paid would exceed \$20,000 each.</i>					

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

Rank Order	Service	Cost Savings	Impact on Services
	<u>None see above response</u>		

Application Year CY 2010/SFY 2011

Municipality: Borough of Chesilhurst

County: Camden

XII. Agreement to Improve Financial Position of Municipality

If aid is granted, are you willing to enter into a "memorandum of understanding" that will, among other restrictions and requirements:

	Yes	No
1. Allow the Director of Local Government Services to assign management, financial, and operational specialists to assess your municipal operations	X	
2. Implement actions as recommended by the Director to address the findings of Division staff	X	
3. Enter into a Memorandum of Understanding	X	

The undersigned herewith acknowledges the foregoing requirements with which the municipality must comply in order to receive aid as outlined above.

In addition, included with this application is a copy (printed or electronic) of the budget documentation that supports the budget calculation that was provided to the governing body.

Mayer

Date

7/14/10

Chief Financial Officer

Date

William E. Sales Jr. 7/14/10

ATTEST:

Date

7/14/10

Municipal Clerk