

Transitional Aid Application for Calendar Year 2012

Division of Local Government Services

Department of Community Affairs

General Instructions: This application must be submitted in its entirety by **February 29, 2012** for funding consideration under this program. Information contained in the application is subject to independent verification by DLGS. Refer to Local Finance Notice 2011-39 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7.

Name of Municipality: City of Salem		County: Salem
Contact Person: David Crescenzi		Title: CFO
Phone: 856-935-0361	Fax: 856-935-6360	E-mail: salemcfo@comcast.net

I. Aid History

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

CY 2011	CY 2010	CY 2009
\$0	\$300,000	\$400,000

II. Aid Request for Application Year: (All municipalities currently operating under a Transitional Aid MOU are advised that a decrease from prior year funding is likely.)

Amount of aid requested for the Application Year:	\$475,000
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2011-39

III. Submission Requirements

The following items must be submitted with, or prior to, submission of this application. Indicate date of submission of each.

Item	Date Submitted to DLGS
Prior Year Annual Financial Statement	February 10, 2012
Previous Year Annual Audit	December 12, 2011
Previous Year Audit Corrective Action Plan	December 19, 2011
Application Year Introduced Budget	February 22, 2012
Budget documentation submitted to governing body	February 13, 2012

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	<i>Robert L. Davis</i>	2/28/12
Governing Body Presiding Officer	<i>Karen L. Turville</i>	2/28/12
Chief Financial Officer	<i>H. Davis</i>	2/28/12

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.

Moody's downgraded the City of Salem's Outstanding General Obligation Rating to Ba3 from Ba2 with a negative outlook. The downgrade from Ba2 rating reflects the city's financial pressure which stems from the Finlaw Office Building Project, on which the city has guaranteed debt service payments. The City appropriated \$135,000 in the 2012 budget to be used for debt service for the Finlaw project due to a projected deficit in operations. This appropriation would cease debt service reserve draws for 2012 and a negative rating review in 2012.

The City had extreme difficulty selling its 1.7 million BAN in June 2011, receiving only one bid at 4.6% for 8 months. The only bid was from the previous BAN holder and the bank which holds the majority of the City's deposits.

Medium family income of \$29,699 and per capital income of \$13,559 as reported in the 2000 census is 45.4% and 50.2% of state medians.

The tax collection percentage has decreased over the last four years, 2012 being the lowest. The City used a three year average.

Over the last ten years the City has witnessed a depopulation of 1,813 residents. The 1990 census equaled 6,959 compared to the 2010 census of 5,146. The largest decrease in Salem County.

The City is comprised of three affordable housing complexes. The City provides over fifty percent of all low income housing in Salem County. Pennsgrove, a transitional aid recipient, provides most of the remainder.

The City identified over 64 abandoned properties when the abandoned property ordinance was enacted.

The City's unemployment rate in 2008 was 10.2%. It is most likely much higher in 2011.

Since the last City wide revaluation in 2007 the net valuation taxable has decreased from \$256,190,568 to \$234,023,857 for a five year loss of \$22,166,711

The City has a disproportionate of exempt property. The City has over 33.33% (\$79,541,641) of its assessed value in exempt property. As part of the equation, the County offices are located in the heart of the business district.

V-B. Alternate Eligibility

Demonstration of Revenue Loss/Substantial Cost Increase			
<p>Complete Part 2 if eligibility was not met in Part 1. Show: (1) extraordinary revenue losses (exclusive of State CMPTRA/ETR aid reductions, but inclusive of other aid, including payments under various open space State payments in lieu of tax programs), but not as the aggregate of many revenue line items; and (2) or specific, extraordinary increases in appropriations. Describe the item on the cell below each entry. If applicable, indicate in the description of the extraordinary increase in expenditure if the increase was the result of a policy decision made by the municipality (i.e. a back-loaded debt service schedule, deferred payment, costs associated with additional hires, etc.)</p>			
Revenue or Appropriation	2011 Value	2012 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.

The City appropriated 1,000,000 to pay down two outstanding BANS, reducing future debt service payments. The City will borrow the balance of these BANS through the Qualified Bond Act, receiving a better interest rate and a longer payback schedule. Reducing short term debt should help improve the City's Moody's rating.

The City loaned Stand Up for Salem \$650,000 to fix the water intrusion at the Finlaw building, preventing a loss of tenants and lease revenue and substantially increasing the operating deficit. The City filed suit against the contractor and designer of the building. Any award will be dedicated to offset debt service in future budgets.

The City renegotiated a settlement with South Jersey Gas who were going to build an interpretive center on land that they contaminated and accepted a cash settlement instead in the amount of \$1,650,000. These funds were used to pay down the previously mentioned BANS and the loan to fix the Finlaw building.

The City contracts with the County of Salem for dispatch / 911 services.

The City reduced electric costs by \$17,000 by bidding through an energy broker.

The City participates in the Salem County purchasing cooperative for gasoline and heating oil.

The City turned over operations of the City pool to the County YMCA. The YMCA funds the operations through donations from individuals and corporations.

The City entered into a shared service with the County of Salem to use their gas pumping station, as opposed to replacing the City's non compliant tanks or issuing gas credit cards.

The City eliminated the Construction Code office that was operating at a deficit. The State now does the inspection services for no charge.

The City contracted with the Motor Vehicle Commission to provide security at the local DMV office. The City will receive over \$70,000 to provide the service.

The City implemented co-mingled recycling to reduce labor hours for curbside pickup.

The City is preparing an ordinance to implement a fee for the towing of automobiles.

The City is preparing a bid for services to collect outstanding municipal court warrants.

V-D. Discussion of Health Benefits

If your municipality does not use the State Health Benefits Plan for health insurance, fill this section out in its entirety.

1. Identify the company that is the broker of record for health insurance and how long have they served as broker of record?

2. How much in commissions or fees does the broker of record receive from: (a) the municipality \$ _____; and (b) the insurance company providing health benefits \$ _____.

3. As an attachment, have the broker list the provided coverage, and the categories and number of employees in each program. Create a side by side comparison with the State Health Benefits Plan and outline costs.

4. Provide a clear and concise explanation as to why the State Health Benefits Plan is not being used and discuss the relative costs of insurance used and the State Health Benefits Plan. (It is advisable for you to share this question with your broker of record and have them fill it out.)

VI. Historical Fiscal Statistics

Item	2010	2011	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate	\$1.609	\$1.707	\$1.907
Municipal Purposes tax levy	\$3,820,425.74	\$4,005,050.03	\$4,462,689.59
Municipal Open Space tax levy	\$ NA	\$ NA	\$NA
Total general appropriations	\$8,053,256.66	\$8,036,958.59	\$8,994,447.96

2. Cash Status Information			
% Of current taxes collected	89.02%	86.55%	%
% Used in computation of reserve	89%	89%	88% (3yr avg)
Reserve for uncollected taxes	\$981,783.88	\$976,602.37	\$1,112,818.50
Total year end cash surplus	\$790,402.57	\$1,386,375.13	
Total non-cash surplus	\$50,000	\$0	
Year end deferred charges	\$50,000	\$0	

3. Assessment Data			
Assessed value (as of 7/1)	\$237,308,14	\$234,662,914	\$234,023,857
Average Residential Assessment	\$100,294	\$100,152	\$99,588
Number of tax appeals granted	13	15	
Amount budgeted for tax appeals	\$0	\$0	\$0
Refunding bonds for tax appeals	\$0	\$0	\$0

4. Full time Staffing Levels			
Uniformed Police - Staff Number	23	23	23
Total S&W Expenditures	\$1,988,094.64	\$1,934,182.05	\$1,994,200
Uniformed Fire - Staff Number	Volunteer	Volunteer	Volunteer
Total S&W Expenditures	\$0	\$0	\$0
All Other Employees - Staff Number	45	43	43
Total S&W Expenditures	\$1,037,807.21	\$2,947,146.31	\$3,033,867

5. Impact of Proposed Tax Levy

			Amount
Current Year Taxable Value			234,023,857
Introduced Tax Levy			\$4,462,689.59
Proposed Municipal Tax Rate	\$1.907	Average Res. Value (#4 above)	\$99,588
Current Year Taxes on Average Residential Value (#4 above)			\$1,899.14
Prior Year Taxes on Average Residential Value (1.673 x \$100,152)			\$1,675.54
Proposed Increase in average residential taxes			223.60

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment

2007

B. Proposed Budget – Appropriation Cap Information

- Item**
1. Was an appropriation cap index rate ordinance adopted last year?
If YES: % that was used
 2. Amount of appropriation cap bank available going into this year
 3. Is the Application Year budget at (appropriation) cap?
If NO, amount of remaining balance
 4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap?
If YES, amount:

	Yes	No
	X	
%		
\$547,241.27		
		X
\$556,874.44		
		NO
\$		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Note Principal	\$109,314	\$1,000,000	\$890,686
Sinking Fund Finlaw Building	\$0	\$135,000	\$135,000
Police Salary & Wages	\$1,934,182	\$1,994,200	\$61,300
Employee Group Benefits	\$966,000	1,066,000	\$100,000
Gasoline	\$97,509	\$99,000	\$29,000
Housing Salary & Wages	\$100,707.45	\$123,350.00	\$26,850

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

Department/Agency	Position	Number	Dollar Amount
	NONE		

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

	Tax Levy	Local Revenues	Transitional Aid	Total S&W	Total OE
First year	\$4,465,676	\$4,705,758	\$300,000	\$2,977,835	\$2,798,730
Second year	\$4,554,990	\$3,705,000	\$150,000	3,037,085	2,854,500
Third year	\$4,646,089	\$3,800,000	\$0	3,080,500	2,910,000

VIII. Financial Practices

A. Expenditure controls and practices:

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

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

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

C. 1) Salary and Employee Contract Information (when more than one bargaining unit for each category, use average):

Question	Police	Fire	Other Contract	Non-Contract
Year of last salary increase	2010	Volunteer	2012	2012
Average percentage increase	4%	NA%	1.5%	1.5%
Last contract settlement date	01/01/07	NA	12/15/2011	
Contract expiration date	12/31/10	NA	2015	

2) 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	Volunteer	Yes	Yes
Proposed Furlough for week of July 4 th , however employees may use vacation. Limited savings				
Wage Freezes (describe below)	No	Volunteer	No	No
Unions have indicated they would not agree. BC union agreed to 8 days in 2010. No FOP in 10				
Layoffs (describe below)	NO	Volunteer	Yes	Yes
Police Secretary Confidential Non Union, Housing Office and Water Sewer Finance (\$0 Gen Budget Savings)				

Application Year CY 2012	Municipality: Salem City	County: Salem
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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:	Foreclosure 2012	
3. On what dates were tax delinquency notices sent out in 2011: Date:	03/15, 06/11 12/7	
4. Date of last tax sale: Date:	September 14, 2011	

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:	\$2,171.45	Last Year:	\$818.34	Anticipated Application Year:	\$0
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2. List the instruments in which idle funds are invested:

Money Market	

3. What was the average return on investments during CY 2011?

.0575%

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

Money Market

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

Employee Group	Expiration Date	Status of Negotiations of Expired Agreement
Police - FOP	12/31/2010	Filed unfair labor practice. Negotiations ceased.
Blue Collars Workers	12/31/15	Settled December 2011

IX-A. List actions that limited Salary and Wage costs: i.e., layoffs, furloughs, freezes, contract concessions, etc. (See item C-3 in Local Finance Notice 2011-39 for details)

S&W Line Item	Prior Year Actual	Application Year Proposed	Explanation of Change
Construction Code Deficit	\$12,000	0	All Construction Code Officials were laid off and the function was assumed by the State as of October 2011
Street Cleaning			Moved street cleaning operation to day time hours. Saved shift differential costs and overtime costs crew is shortanded during the day.
Various			New Blue Collar workers contract eliminates longevity for new hires. In year two, current employees will have longevity rolled into base pay, ceasing any future longevity % increases.

IX-B. List actions that limited or reduced Other Expense costs: i.e., reductions, changes, or elimination of services, procurement efficiencies or restraint. Include changes in spending policies that reduce non-essential spending.

Line Item	Prior Year Actual	Application Year Proposed	Explanation of Change
Engineering Services	\$15,000	\$12,000	Appointed new engineering firm at reduced cost.
Electricity	\$64,655	\$65,000	Bid out energy costs through broker. Budgeted \$85,000 in 11.
Recreation	\$27,976	\$26,000	Budgeted \$31,000 in 11. Reduced contributions.

IX-C. Evaluate existing local revenues, as to whether or not the rates or collections can be increased or imposed, and if so, how changes will be implemented; i.e., recreation fees, utility fees, land use fees, construction, housing, and fire code.

Local Revenues and services provided through the General/Current Fund	Check if services is provided	Are fees charged to cover the costs of the program?	If fees do not cover costs, what is the amount of subsidy?	If there is a subsidy, explain why fees cannot be increased to reduce or eliminate subsidy.
Recreation programs	X	No		Due to poverty of city.
Sewer Fees	<input type="checkbox"/>	WS Utility		
Water Fees	<input type="checkbox"/>	WS Utility		
Swimming Pool	<input type="checkbox"/>			
Uniform Construction Code	<input type="checkbox"/>			State took over in October 2011
Uniform Fire Code	<input type="checkbox"/>			
Land Use Fees	<input type="checkbox"/>			
Parking Fees	X			
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			
Trash Collection	X			\$1 dollar sticker / per sticker.

X. Service Delivery

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

Service	Name of Contracted Entity	Estimated Amount of Contract	Year Last Negotiated (as applicable)
Emergency Dispatch	County of Salem 130k in 2011	In neg.	2007
Trash Collection	South Jersey Sanitation	\$67,200	2010
Computer Server Maint. and Repairs	Premier Technology Solutions	\$12,000	2009
Animal Shelter	Ron's Animal Shelter	\$8,700	2010
Animal Control	Ned Shimp Animal Control Services	\$14,400	2009
Gasoline Pumping Station	County of Salem	Free	
Municipal Court Space	County of Salem	Free	2010
Uniform Construction Code	State of New Jersey	Free	
Police – Salem City Initiatives	County of Salem -Sherriff & Prosecutor's Office.	Free	

Section XI – Impact of Limited or No Aid Award

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

Rank Order	Department	# of Layoffs	Effective Date	2011 Full Time Staffing	2012 Full Time Staffing	\$ Amount to be Saved
1	Police Secretary	1	06/30/12	3	2	\$18,000

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

Rank Order	Service	Cost Savings	Impact on Services

XII. Agreement to Improve Financial Position of Municipality

If aid is granted, the municipality will be required to submit to certain reporting conditions and oversight as authorized by law and a Memorandum of Understanding will need to be signed. Please mark each box below indicating that the applicant understands, and agrees to comply with these broad reporting and oversight provisions.

	Yes	No
1. Allow the Director of Local Government Services to assign management, financial, and operational specialists to assess your municipal operations.	X	
2. Implement actions directed by the Director to address the findings of Division staff.	X	
3. Enter into a Memorandum of Understanding and comply with all its provisions, without exception.	X	

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

The undersigned certify that the municipality has complied with all the conditions and requirements of the 2011MOU conditions, including, but not limited to, the following: submission of a Transition Plan, adoption of a pay to play ordinance, receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor: Robert L. Davis Date: 2/28/12
 Chief Financial Officer: [Signature] Date: 2/28/12
 Chief Administrative Officer: [Signature] Date: 2/28/2012

XIV. CAMPS Certification (County and Municipal Personnel System - Civil Service municipalities only)

For Civil Service municipalities, the undersigned, being knowledgeable thereof, hereby certify that the municipality has placed the names of all current civil service employees in NJ "CAMPS".

Human Resources or Personnel Director: [Signature] Date: 2/28/2012
 Chief Financial Officer: [Signature] Date: 2/28/12

XV. CERTIFICATION OF APPLICATION FOR TRANSITIONAL AID

The undersigned acknowledges the foregoing requirements with which the municipality must comply in order to receive aid as outlined above. In addition, included with this application is a copy (printed or electronic) of the budget documentation that supports the budget calculation that was provided to the governing body.

Mayor: Robert L. Davis Date: 2/28/12
 Chief Financial Officer: [Signature] Date: 2/28/12
 Chief Administrative Officer: [Signature] Date: 2/28/2012