

Transitional Aid Application for Calendar Year 2016
Division of Local Government Services
Department of Community Affairs

MAR 21 2016

LOCAL

General Instructions: This application must be submitted in its entirety by March 21, 2016 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2016-4 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7 of the Local Finance Notice.

| | | | | | |
|------------------------------|--------------|-----------------|----------|----------------|---------------------------|
| Name of Municipality: | | City of Salem | | County: | Salem |
| Contact Person: | | David Crescenzi | | Title: | CFO |
| Phone: | 856-935-0361 | Fax: | 935-6360 | E-mail: | salemcf@cityofsalemnj.gov |

I. Aid History

List amount of Transitional Aid received for the last three years, if any:

| CY 2015 | CY 2014 | CY 2013 |
|-----------|---------|---------|
| \$300,000 | \$0.00 | \$0.00 |

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: | \$1,200,000 |
|--|--------------------|

If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2016-4.

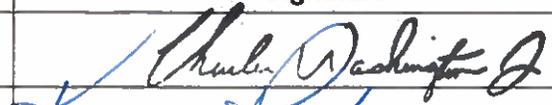
III. Submission Requirements

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 |
|--|------------------------|
| 2015 Annual Financial Statement | February 10, 2016 |
| 2014 Annual Audit | October 5, 2015 |
| 2014 Corrective Action Plan | October 19, 2015 |
| Application Year Introduced Budget | March 16, 2016 |
| Budget Documentation Submitted to Governing Body | Feb. 16 and March 7 |

IV. Application Certification

The undersigned herewith certify that they he or she has reviewed this application and, to his or her knowledge, believe the contents to be accurate true and represent 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 |  | 3-17-16 |
| Governing Body Presiding Officer |  | 3/17/16 |
| Chief Financial Officer |  | 3/17/16 |
| Chief Administrative Officer | | |

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 Attachment "A"

V-B. Demonstration of Revenue Loss/Substantial Cost Increase

Show: (1) specific, extraordinary revenue losses, but not as the aggregate of many revenue line items; and (2) specific, extraordinary increases in appropriations, but not as the aggregate of many appropriation line items. 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.)

| Revenue or Appropriation | 2015 Value | 2016 Value | Amount of Loss/Increase |
|-----------------------------|--|------------|-------------------------|
| Surplus | \$300,000 | \$0.00 | (\$300,000) |
| Description: | Results from operations resulted in a deficit. | | |
| Operating Deficit | \$0.00 | \$155,946 | \$155,946 |
| Description: | | | |
| Interest and Costs on Taxes | \$140,835 | \$99,326 | (\$41,509) |
| Description: | During 2015 Tax Sale, Majority of liens struck off to City | | |
| 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. (Items included in a Transition Plan submitted by a current recipient need not be repeated here.)

See Attachment "B"

V-D. Discussion of Health Benefits

Skip this section if using SHBP. If not using SHBP, explain why the health benefit plan being used is cheaper, or what reasons exist for failing to move to SHBP. Additionally, list all brokers (primary broker or risk manager, all co-brokers, and sub-brokers) together with their compensation for the current and prior two fiscal years. Compensation must be disclosed in this section whether provided directly by the municipality or as a commission from the insurance provider. It is the municipality's right, and obligation, to determine whether the broker is compensated with commission in order to fully complete this section. If commissions are being earned, provide both how the commission is calculated (percentage of premium or self-insurance) and the actual \$ value of the commission received in each year.

Using SHBP

VI. Historical Fiscal Statistics

| Item | 2014 | 2015 | Introduced Application Year |
|--|----------------|--------------------------------|-----------------------------|
| 1. Property Tax/Budget Information | | | |
| Municipal tax rate *Includes Library | \$1.851 | \$1.947 | \$2.508 |
| Municipal Purposes tax levy | \$4,280,498.80 | \$4,362,062.72 | \$5,407,134.89 |
| Municipal Open Space tax levy | \$NA | \$NA | \$NA |
| Total general appropriations | \$8,155,148.15 | \$8,117,174.05 | \$8,448,016.23 |
| 2. Cash Status Information | | | |
| | | | * 86.22 (3yr average) |
| % Of current taxes collected | 88.13% | 83.17% | % |
| % Used in computation of reserve | 87% | 87.42% | 85% |
| Reserve for uncollected taxes | \$1,182,107.57 | \$1,091,002.63 | \$1,455,470.40 |
| Total year end cash surplus | \$372,394.87 | (\$83,550.77) | |
| Total non-cash surplus | \$0.00 | \$72,394.87 | |
| Year end deferred charges | \$0.00 | (\$155,945.64) | |
| 3. Assessment Data | | | |
| Assessed value (as of 1/10) | \$231,225,330 | \$223,962,313 | \$215,567,834 |
| Average Residential Assessment | \$97,652.56 | \$97,652.56 | \$95,383.56 |
| Number of tax appeals granted | 87 | 122 | |
| Amount budgeted for tax appeals | \$0.00 | \$0.00 | \$0.00 |
| Refunding bonds for tax appeals | \$0.00 | \$0.00 | \$0.00 |
| 4. Full time Staffing Levels | | | |
| Uniformed Police - Staff Number | 14 | 14 | 15 |
| Total S&W Expenditures | \$1,686,603.89 | \$1,568,689.96 | \$1,745,000.00 |
| Uniformed Fire - Staff Number | Volunteer | Volunteer | Volunteer |
| Total S&W Expenditures | \$0.00 | \$0.00 | \$0.00 |
| All Other Employees - Staff Number | 21 | 21 | 21 |
| Total S&W Expenditures | \$1,010,424.30 | \$1,164,559.04 | \$983,617.00 |
| 5. Impact of Proposed Tax Levy | | | |
| | | | Amount |
| Current Year Taxable Value | | | \$215,567,834 |
| Introduced Tax Levy | | | \$5,407,134.89 |
| Proposed Municipal Tax Rate | 2.508 | Average Res. Value (#4 above) | \$95,383.56 |
| Current Year Taxes on Average Residential Value (#4 above) | | | \$2,392.22 |
| Prior Year Taxes on Average Residential Value | | | \$1,901.30 |
| Proposed Increase in average residential taxes | | | \$490.92 |

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment

| |
|--------|
| 2007 |
| 150.54 |

A1. Most current equalized ratio

B. Proposed Budget – Appropriation Cap Information

- | Item | Yes | No |
|---|------------|-----------|
| 1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used | X | |
| 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 | X | |
| 4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap? If YES, amount: | | X |

| | | |
|-----------|------------|-----------|
| | Yes | No |
| | X | |
| 3.5% | | |
| \$495,208 | | |
| | X | |
| \$ | | |
| | | X |
| \$ | | |

C. List the five largest item appropriation increases:

| Appropriation | Prior Year Actual | Application Year Proposed | \$ Amount of Increase |
|---------------------------------|-------------------|---------------------------|-----------------------|
| 2015 Operating Deficit | \$0.00 | \$155,956 | \$155,956 |
| Employee Group Health Insurance | \$1,161,940 | \$1,229,500 | \$67,560 |
| Capital Improvement | \$0.00 | \$50,000 | \$50,000 |
| In Rem Tax Foreclosures | \$19,213.22 | \$75,000 | \$35,000 |
| Electricity | \$142,000 | \$103,000 | \$21,000 |
| | | | |

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

| Department/Agency | Position | Number | Dollar Amount |
|-------------------|------------|--------|---------------|
| | ** NONE ** | | |
| | | | |
| | | | |
| | | | |
| | | | |

| | | |
|----------------------------------|------------------------------------|----------------------|
| Application Year: CY 2016 | Municipality: City of Salem | County: Salem |
|----------------------------------|------------------------------------|----------------------|

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 | \$4,207,135 | \$2,785,881 | \$1,200,000 | \$2,728,617 | \$3,008,500 |
| Second year | \$4,290,000 | \$3,285,881 | \$600,000 | \$2,628,617 | \$3,008,500 |
| Third year | \$4,375,800 | \$3,685,881 | \$0.00 | \$2,528,617 | \$2,908,500 |

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? If so, please identify system being used. Edmunds | 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? If not, be prepared to discuss why not in your application meeting. | | X |

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 | 2016 | Volunteer | 2016 | 2012 |
| Average total cost percentage increase | 1.5% | NA | 1.25% | 1.75% |
| Last contract settlement date | Nov. 23, 2015 | Volunteer | Dec. 12, 2015 | |
| Contract expiration date | Dec. 31, 2018 | Volunteer | Dec. 31, 2019 | |

2) Explain, if any, actions that have been taken or are under consideration for the Application Year:

| Action | Police | Fire | Other Contract | Non-Contract |
|---|---------------|-------------|-----------------------|---------------------|
| Furloughs (describe below) | NO | Volunteer | NO | NO |
| Wage Freezes (describe below) | NO | Volunteer | NO | YES |
| Layoffs (describe below) | NO | Volunteer | NO | Yes |
| Confidential nonunion secretary with police department. | | | | |

D. Tax Enforcement Practices:

| Question | Yes | No |
|--|------------------------|-----------|
| 1. Did the municipality complete its accelerated tax sale by December 31, if included in 2015 budget? If not, please include a letter from the tax collector explaining why he/she failed to complete the sale in a timely manner and what the impacts were on cash flow and lost investment earnings. | | |
| 2. When was the last foreclosure action taken or tax assignment sale held: Date: | April 20, 2015 | |
| 3. On what dates were tax delinquency notices sent out in 2015: Date: | May 21, July 8, Dec 17 | |
| 4. Date of last tax sale: Date: | July 22, 2015 | |

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:

| | | | | | |
|------|---------|------|---------|-------------------------------|--------|
| 2014 | \$59.00 | 2015 | \$19.77 | Anticipated Application Year: | \$0.00 |
|------|---------|------|---------|-------------------------------|--------|

2. List the instruments in which idle funds are invested:

| | |
|-------------------|--|
| Checking Accounts | |
| | |
| | |
| | |

3. What was the average return on investments during 2015?

.01 %

4. Left Blank Intentionally

5. The name and firm of the municipality’s auditor?

Bowman & Company

6. When was the last time the municipality changed auditors?

January 1, 2004

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 |
|----------------------------------|------------------------|--|
| FOP | Dec. 31, 2018 | Settled four year contract on Nov. 23, 2015 |
| Blue Collars Workers Association | Dec. 31, 2019 | Settled five year contract on Dec. 12., 2015 |
| | | |
| | | |

H. Tax Abatements. Please provide a detailed discussion of any short-term or long-term tax abatements that are currently in place or are currently being negotiated including the following information:

| Project Name/Property | Type of Project | 2015 PILOT Billing | 2015 Assessed Value | 2015 Taxes If Billed in Full at 2015 Total Tax Rate | Term of Tax Abatement |
|--------------------------------|------------------------|---------------------------|----------------------------|--|------------------------------|
| Harvest Point Block 106 Lot 3 | Affordable Housing | \$324,480 | \$11,811,800 | \$456,526 | 30 years |
| Senior Village Block 57 Lot 15 | Affordable Housing | \$16,500 | \$5,544,545 | \$214,297 | 30 years |
| County 5 Star Block 13 Lot 1 | Commercial | \$27,725 | \$729,200 | \$28,183 | 5 years |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

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.

| 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 | <input checked="" type="checkbox"/> | No | \$15,000 | Poor community. |
| Sewer Fees | <input checked="" type="checkbox"/> | Yes | | |
| Water Fees | <input checked="" type="checkbox"/> | Yes | | |
| Swimming Pool | <input checked="" type="checkbox"/> | No | | School Board provides funding for literacy programs. |
| Uniform Construction Code | <input type="checkbox"/> | State of NJ | | |
| Uniform Fire Code | <input type="checkbox"/> | State of NJ | | |
| Land Use Fees | <input type="checkbox"/> | | | |
| Parking Fees | <input checked="" type="checkbox"/> | Yes | | |
| Beach Fees | <input type="checkbox"/> | | | |
| Insert other local fees below: | <input type="checkbox"/> | | | |
| Land Use Escrow fees for in-house staff | <input type="checkbox"/> | | | |
| Land Use Escrow fees for independent contractors | <input type="checkbox"/> | | | |
| Trash Removal | <input checked="" type="checkbox"/> | Yes | \$50,000 | Sell \$1.00 trash sticker for 33 Gallon Bag. |
| | | | | Discussing charging a flat fee per occupied property, similar to sewer fee. |
| | | | | |
| | | | | |
| | | | | |

Section XI – Impact of Limited or No Aid Award

Describe in complete detail the actual 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 | 2014 Full Time Staffing | 2015 Full Time Staffing | \$ Amount to be Saved |
|------------|------------|--------------|----------------|-------------------------|-------------------------|-----------------------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

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

| Rank Order | Service | Cost Savings | Impact on Services |
|------------|----------------|--------------|--------------------|
| 1 | Recreation -OE | \$15,000 | Cancel Programs. |
| | | | |
| | | | |
| | | | |
| | | | |

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 new 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 new 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 is in substantial compliance with the conditions and requirements of the 2015 MOU and is moving in good faith to correct those area of noncompliance that have been identified, including, but not limited to, the following: establishment of a pay to play ordinance; termination of longevity pay for officers and employees not contractually entitled to longevity pay; termination of health benefits for part time officers and employees; receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor: Charles Washington J Date: 3-17-16

Chief Financial Officer: [Signature] Date: 3-17-16

Chief Administrative Officer: _____ Date: _____

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

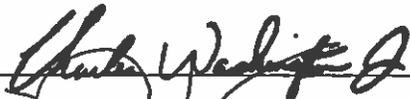
For Civil Service municipalities, the undersigned, being knowledgeable thereof, hereby certify that the municipality has placed the names of all current civil service employees in NJ "CAMPS".

Human Resources or Personnel Director: [Signature] Date: 3-17-16

Chief Administrative Officer: _____ Date: _____

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:  Date: 3-17-16
Chief Financial Officer:  Date: 3-17-16
Chief Administrative Officer: _____ Date: _____

ATTACHMENT A -- SECTION V-A
"EXPLANATION OF NEED FOR TRANSITIONAL AID"

Salem City is facing a financial crisis for CY 2015, with the following being the main contributors to the problem:

A. **Salem is Facing a Cap Problem.** As introduced, Salem's budget for 2016 is \$809,447.00 over the 2% tax levy cap.

B. **Lost Revenue From Landlord Registration Repeal.** Salem City lost over \$30,000.00 of revenue for its 2016 budget that formerly came from its annual landlord registration fee. These landlord registration fees were challenged in Superior Court and determined to be unauthorized by State statute Timber Glen Phase III, LLC v. Township of Hamilton, 441 N. J. Super. 514 (App. Div. 2015). The New Jersey State League of Municipalities has decided not to challenge the Court's ruling but is instead attempting to get new legislation passed, however as of this date no action has been taken the Legislature. Even worse than the direct loss of revenue from having to repeal the landlord registration fee, is the loss of an important tool Salem City used to improve its tax collection percentage. Salem would refuse to issue a landlord registration renewal unless the real estate taxes, water and sewer on the rental property were current at the time of the renewal.

C. **Salem has Suffered a drastic Reduction in Tax Assessed Valuation.** Real estate values in Salem City have plummeted. Most houses can't even be sold. We have had sales of \$900 for a single family home! Hundreds of homes have literally been abandoned and Salem has been able to deal with only a fraction of these in terms of placing them on the abandoned property list, boarding up, or any other action. The ratio of assessed valuation to actual market value as determined by the Salem County Board of taxation is now 150.54%! Tax appeals filed with the County or the Tax Court have skyrocketed and the lopsided ratio and the data from actual sales has all but erased the "presumption of correctness" normally given to the assessed valuation in such appeals. Appeals relating to commercial ratables are even more damaging to Salem's economic viability. In one of the larger commercial appeals (the PSE&G Nuclear office campus) Salem narrowly avoided a massive refund liability but had to settle for a going forward assessment reduction from \$11,031,700.00 to: \$8,500,000.00 in 2015; \$7,500,000.00 in 2016; and \$6,554,200.00 in 2017. An overall reduction of nearly \$4.5 million dollars! The situation has resulted in the Salem County Board of Taxation issuing an Order directing Salem City to complete a

Citywide revaluation before the end of calendar year 2016 so the new assessments can be implemented in 2017. The estimated costs will be in excess of \$250,000.00 which Salem City doesn't have.

Since 2008 (last revaluation) net valuation taxable of Salem real estate has decreased \$38,284,710.00 (2008 NVT value - \$253,852,544 minus 2016 NVT \$215,567,834). The result is that if Salem has a 0 dollar increase in spending for 2016 it will nevertheless experience a 7.6 cent tax increase!

D. Salem is No Longer Able to Effectively Sell its Tax Lien Certificates. Based on the plummeting real estate values, high crime, above average poverty rate and other factors, investors are no longer buying tax lien certificates in Salem. During the 2015 tax sale there were 168 properties totaling \$263,109 in 2014 municipal charges being offered for sale. Of those properties, 81 were struck off to the City equaling \$178,926 of municipal charges not being collected. Only 2 purchasers showed up at the tax sale. The main purchaser of City liens' PRO-CAPITAL contacted the City Solicitor recently to explore obtaining assistance from the City in making their investments in Salem City liens profitable. PRO-CAPITAL stated that if something cannot be worked out, they will no longer purchase City liens and will abandon their existing inventory of Salem City liens.

The result is that the number of liens unpurchased by private parties and therefore held by Salem has skyrocketed! This creates a "triple negative" consequence for Salem: (i) it is not getting paid and adds to its cash flow problems; (ii) it nevertheless has to pay the school and the county; and (iii) Salem must decrease the amount anticipated for delinquent taxes in the current budget, thus increasing taxes and thereby causing additional defaults and property abandonment. It's a death spiral.

The City's collection rate fell 4.96% (2015 83.17% minus 2014 88.13%). The City passed a resolution to authorize the use of the 3 year average not to exceed 86.22%, but chose to use 85% in the calculation of the Reserve for Uncollected Taxes. 85% may be difficult to achieve given the high percentage of tax liens already held by Salem City. As unlike most third party lien holders who pay subsequent taxes, the municipality cannot accept subsequent tax payments once it holds a municipal lien.

Salem's 2016 Budget anticipates the maximum amount of revenue (\$668,957.00) from Delinquent Taxes per AFS Sheet 26. As of 3/15/16 only \$114,840.09 has been collected on the 12/31/15 Taxes Receivable from the 2015 tax levy of \$835,157.80. As of 3/15/16 only \$10,876.72 has been collected on municipal held liens at 12/31/15. The 2015 Budget anticipated \$663,000.00 in revenue from Delinquent Taxes and only \$495,021.32 was realized.

E. Ardagh Glass Factory Closure. Ardagh Glass (formerly known as Anchor Glass) was Salem largest employer, largest tax ratable and largest water/sewer customer. In October of 2014 Ardagh closed its Salem facility and laid off its entire workforce (approximately 250 jobs); and mothballed its nearly 100 year old ailing Salem factory. The news was a complete shock to the entire County and the State who had less than a year earlier approve a multimillion dollar grant for Ardagh to replace one of the massive glass furnaces. The City immediately contacted the Lieutenant Governor's "Business Action Center Task Force", but all of the efforts were to no avail. It was a crushing blow to Salem. Business interest in the downtown dropped to an all time low, many established businesses just closed, including the iconic Salem City Café...not sold...just closed. Ardagh has filed a tax appeal in the State Tax Court. Salem is justifiably concerned that the tax appeal could be devastating financially. Salem has already felt the effect of its largest water and sewer customer closing through a significant drop in its utility budget revenues.

F. The Water and Sewer Utility is under extreme financial stress. In the past 20 years, Salem's Water and Sewer Utility has functioned in a fiscally self-sustaining manner. In order to offset administrative oversight and other management expenses (indirect costs), Salem had withdrawn reasonable amounts of funds from the Water and Sewer budget into the taxpayer Current Fund budget. In mid-2012 Salem completed construction of a new Water Plant with grant/loan funding through the NJEIT administered stimulus program. Shortly thereafter it was realized that the Water Plant cannot function as intended and Salem will probably be forced to initiate costly and protracted litigation. The flaws in the new Water Plant have also caused the Water and Sewer Department overtime budget to skyrocket. The Water and Sewer Fund presently has only a marginal cash surplus, the prospect of the taxpayer budget having to subsidize the utility budget is arising. Furthermore, at December 31st, 2015 the Water/Sewer Fund Improvement Authorization Ordinances 07-15/08-18/09-15 and 09-14 have cash deficits of \$286,522.01 and \$163,533.48.

G. Finlaw Building Deficit. The Finlaw Building Redevelopment Project was a cooperative effort by the State, the Salem County Improvement Authority ("SCIA") and Salem City to redevelop a massive multi-story brick structure of historic significance located in the heart of Salem's downtown which had been abandoned, was in danger of collapse and had been acquired by Salem City through tax foreclosure into a modern day office building (with parking garage facilities across the street) for use by the State as the MVC facility for Salem County as well as housing a number of other state offices including DYFS, Public Defender, etc. as well as executive offices for SCIA in the basement. The project was financed through the issuance of \$19.5M in bonds through SCIA which were backed by the unlimited guaranty of Salem City all of which had been approved by the State Local Finance Board ("LFB").

After construction was completed and the State/SCIA took occupancy in 2009 it became apparent that the rental income was insufficient to pay the expenses of the building and amortize the debt service. This along with deficits that had arisen as a result of construction delays, cost overruns and protracted litigation with the contractor/architect, caused withdrawals from the Debt Service Reserve Fund which caused Moody's and other financial rating services to downgrade Salem City's credit rating to "junk bond status" (Ba3). As a result Salem could not successfully convert its outstanding BAN's into bonds and was facing default on existing BAN's until the LFB approved Salem's participation in the State Qualified Bond Program. Although that crisis was averted, Salem cannot successfully raise capital through BAN's or bonds ... it is not even able to finance the purchase of a new ambulance, fire truck or necessary infrastructure improvements.

In Moody's most recent report (February 24th, 2016 - copy attached) Salem's outlook was changed from stable to negative. They stated "Salem has taken on a liability which is disproportionate to the City's size and ability to pay, which is reflected in the very high debt burden of 14.5% of equalized value". Additionally a recent Rutgers University study listed Salem as having the third highest property tax burden in the State. Finally, numerous articles have listed Salem as within the top 20 municipalities in the US likely to become bankrupt. The poverty rate is far above the State average.

In CY 2012, after meetings with DLGS, Salem was directed to begin appropriating funds in its tax payer budget as necessary to fund the projected deficit on payments due on bonds. Although the utilization of the budgeted

taxpayer funds has prevented further “material negative event” notices, Moody's has not increased the City's credit rating because the project has not achieved self-sustaining status. The debt service in the CY 2015 Budget is \$70,000.00, however appropriations since CY 2012 have totaled \$435,000.00... almost 17 cents added to the tax rate. Salem needs assistance in inducing the principal tenant in the building (e.g., the State of New Jersey) to increase the base amount of the rent so that the project can become self-sustaining.

**ATTACHMENT B -- SECTION V-C
"ACTIONS TO REDUCE FUTURE NEED FOR AID"**

A. Salem believes that it can stem the tide of property abandonment and increase real estate values by receiving temporary Transitional Aid through this application. The temporary aid will allow the City to move forward with the implementation of three important projects that are expected to have an almost immediate beneficial impact. These projects are as follows:

(i) Nelson House / Washington Hall Condominium Homeownership Project. This project will result in 30 new condominium homeownership units being constructed in two historically significant structures in the downtown area. The project is being funded by the NJHMFA CHOICE Program, with a closing expected open in the third quarter of 2015. This will result in 30 new taxpayers and 30 new water/sewer customers (in addition to the restoration of a significant downtown structure). Without the Transitional Aid supporting a crisis management plan for Salem, the ability of the Developer to sell these condominium units will be jeopardized.

(ii) Port Area Redevelopment - (a) the City received assistance from the Office of Local Planning Services of NJDCA for the creation of a new redevelopment plan for its port/industrial area. The area includes the now closed down Ardagh Glass facility; (b) with the approval of our Fiscal Monitor, Salem City hired Mr. Whitney White of the Global Institute for Strategic Investment, a non-profit corporation who is assisting us with the effort to spearhead new economic development in the port/industrial area; and (c) Salem City is attempting to negotiate a major increase in the PILOT arrangement with the State agency known as South Jersey Port Corporation who owns and operates a facility within the port/industrial area.

(iii) Vacant Property Registration and Fee Ordinance - with the approval of our Fiscal Monitor Salem City contracted with Future Systems, Inc., a vendor that will assist us in planning and implementing a new vacant property registration and fee ordinance. The contract includes the implementation of a computerized system which will allow Salem's small housing enforcement team to inventory and levy a increasing yearly fee against vacant properties. More important than the new source of direct revenue this represents, is the positive impact it will have on moving vacant and unattended properties back to occupy and cared for status which will improve neighborhoods and increase overall values for the real estate market in Salem City.

B. Transitional Aid will allow Salem time to remedy its new Water Plant and reactivate discussions with adjacent municipalities to provide much needed additional water to them. As a result of the problems with the Plant one such discussion was put on hold, and that transaction alone was estimated to be a source of \$250,000.00 per year in additional water revenue.

C. Transitional Aid would allow the City to maintain a somewhat normal tax rate while the next step of correcting the Finlaw Building project's fiscal problems are addressed. The City, with the help of the Lieutenant Governor's Office, is attempting to explore the refinancing of the bonds, while at the same time increase the rent paid by the State to match the debt service as was originally intended. The City has already induced the County of Salem to drastically increase its rent for the small portion of the basement of the building it rents, and hopes that the State will follow suit. The City believes that the granting of transitional aid will be another sign to Moody's and the financial community in general that the fiscal problems will be corrected in a permanent manner.

D. Transitional Aid would also allow the City to maintain a somewhat normal tax rate while we are foreclosing on the tax lien certificates that Salem has come to own. The immediate benefit will include redemption of liens that will help with the delinquent tax collection problem. Liens taken to final judgment will reduce liability to the county and school, and will give Salem an inventory of properties to be auctioned. Salem completed an in rem tax foreclosure in 2015 from a list of 30 properties. An additional list of 30 properties is presently being processed through a complaint filed in the Tax Foreclosure Unit in Trenton. The City is in the process of authorizing foreclosure on a new list of an additional 40 properties.

E. Salem has one of the State's few fully capped landfills, constituting over 25 acres of usable land in the City's "Port Area Redevelopment Zone". The City has partnered with the NJ State Agency known as "South Jersey Port Corporation" in an attempt use the port area, including the federally granted Foreign Trade Zone ("FTZ"), to generate new revenue for the City budget.

F. The City has already implemented many cost cutting measures, such as: elimination of Deputy Municipal Clerk position; elimination of Construction Code Department in favor of a shared services with NJDCA; new and reduced shared services agreement with the County of Salem for police dispatching services; shared services agreement with County YMCA and School District to

eliminate City Pool recreation expenditure; shared services agreement for sewer maintenance with Quinton Township; elimination of unemployment for school crossing guards; and sale of North Bend Firehouse. The City will continue with cost cutting measures and has just recently implemented a layoff of administrative staff in the Housing Department and Police Department. We are also continuing to pursue solar on our closed Landfill and Municipal Court debt collection agency contracts.

G. Although the City has and will continue to pursue cost cutting and shared services savings, it is clear that the present crisis does not result from over expenditure, but from a revenue and collection problem. The award of Transitional Aid therefore will have a profound beneficial impact and in keeping with the goals of the program be temporary in nature.

| | 2015 Budget | Transfers | Reimb. | 2015 Final | Disbursed | Balance Reserved | Proposed 2016 | Difference | Committee |
|-------------------------------|-------------|------------|--------|------------|------------|------------------|---------------|-------------|-------------|
| GENERAL GOVERNMENT | | | | | | | | | |
| Human Resources | | | | | | | | | |
| Other Expenses | 3,000.00 | (2,000.00) | 0.00 | 1,000.00 | 0.00 | 1,000.00 | 3,000.00 | 0.00 | |
| Mayor & Council | | | | | | | | | |
| Salary & Wages | 55,000.00 | 2,000.00 | 0.00 | 57,000.00 | 56,825.17 | 174.83 | 55,000.00 | 0.00 | |
| Other Expenses | 25,000.00 | 0.00 | 0.00 | 25,000.00 | 21,236.63 | 3,763.37 | 25,000.00 | 0.00 | Admin |
| Municipal Clerk | | | | | | | | | |
| Salary & Wages | 83,000.00 | 5,000.00 | 0.00 | 88,000.00 | 87,752.16 | 247.84 | 86,400.00 | 3,400.00 | |
| Other Expenses | 28,530.00 | (8,026.00) | 0.00 | 20,504.00 | 16,038.38 | 4,465.62 | 28,530.00 | 0.00 | Admin |
| Financial Administration | | | | | | | | | |
| Salary & Wages | 122,500.00 | 500.00 | 0.00 | 123,000.00 | 122,207.52 | 792.48 | 122,914.00 | 414.00 | |
| Other Expenses | 16,020.00 | (1,500.00) | 0.00 | 14,520.00 | 13,482.95 | 1,037.05 | 16,020.00 | 0.00 | Admin |
| Audit Services | | | | | | | | | |
| Other Expenses | 45,000.00 | 4,500.00 | 0.00 | 49,500.00 | 49,433.46 | 66.54 | 45,000.00 | 0.00 | Admin |
| Tax Collection | | | | | | | | | |
| Salary & Wages | 53,250.00 | 1,000.00 | 0.00 | 54,250.00 | 54,184.00 | 66.00 | 39,325.00 | (13,925.00) | |
| Other Expenses | 7,850.00 | 3,000.00 | 0.00 | 10,850.00 | 10,726.05 | 123.95 | 7,850.00 | 0.00 | Admin |
| Tax Assessment | | | | | | | | | |
| Salary & Wages | 23,508.00 | 0.00 | 0.00 | 23,508.00 | 23,506.40 | 1.60 | 23,508.00 | 0.00 | |
| Other Expenses | 9,000.00 | 600.00 | 0.00 | 9,600.00 | 9,591.18 | 8.82 | 9,000.00 | 0.00 | Admin |
| Legal Services | | | | | | | | | |
| Salary & Wages | 77,270.00 | 1,000.00 | 0.00 | 78,270.00 | 78,128.64 | 141.36 | 77,270.00 | 0.00 | |
| Other Expenses | 1,700.00 | (1,100.00) | 0.00 | 600.00 | 88.96 | 511.04 | 1,700.00 | 0.00 | Admin |
| In Rem Foreclosures | | | | | | | | | |
| Engineering Services | 45,000.00 | (7,000.00) | 0.00 | 38,000.00 | 19,213.22 | 18,786.78 | 70,000.00 | 25,000.00 | |
| Engineering Services | 12,000.00 | 0.00 | 0.00 | 12,000.00 | 11,000.00 | 1,000.00 | 12,000.00 | 0.00 | |
| Economic Development | | | | | | | | | |
| Salary & Wages | 6,000.00 | (6,000.00) | 0.00 | 0.00 | 0.00 | 0.00 | 6,000.00 | 0.00 | Admin |
| Other Expenses | 1,000.00 | (1,000.00) | 0.00 | 0.00 | 0.00 | 0.00 | 1,000.00 | 0.00 | Admin |
| LAND USE ADMINISTRATION: | | | | | | | | | |
| Planning Board | 13,500.00 | 3,705.00 | 0.00 | 17,205.00 | 17,204.96 | 0.04 | 13,500.00 | 0.00 | Redev. |
| CODE ENFORCEMENT: | | | | | | | | | |
| Housing Inspections & Permits | 60,000.00 | (5,000.00) | 0.00 | 55,000.00 | 49,886.16 | 5,113.84 | 49,500.00 | (10,500.00) | Human Serv. |
| Salary & Wages | 8,500.00 | 1,500.00 | 0.00 | 10,000.00 | 9,964.37 | 35.63 | 8,500.00 | 0.00 | Human Serv. |

Year 2016 Budget Worksheet - Salem City Introduced March 17, 2016

| | 2015 Budget | Transfers | Reimb. | 2015 Final | Disbursed | Balance Reserved | Proposed 2016 | Difference | Committee |
|---------------------------------------|--------------|-------------|--------|--------------|--------------|------------------|---------------|-------------|----------------|
| INSURANCE: | | | | | | | | | |
| Unemployment & Disability | 2,250.00 | 0.00 | 0.00 | 2,250.00 | 1,701.86 | 548.14 | 2,250.00 | 0.00 | |
| PUBLIC SAFETY FUNCTIONS: | | | | | | | | | |
| Police Department | | | | | | | | | |
| Salary & Wages | 1,755,000.00 | (28,000.00) | 0.00 | 1,727,000.00 | 1,568,689.96 | 158,310.04 | 1,745,000.00 | (10,000.00) | Public Safety |
| Other Expenses | 78,000.00 | | 0.00 | 78,000.00 | 71,879.91 | 6,120.09 | 78,000.00 | 0.00 | Public Safety |
| Office of Emergency Management | | | | | | | | | |
| Salary & Wages | 8,200.00 | 0.00 | 0.00 | 8,200.00 | 8,197.20 | 2.80 | 8,200.00 | 0.00 | Public Safety |
| Aid to Volunteer Ambulance | 10,000.00 | 0.00 | 0.00 | 10,000.00 | 8,858.47 | 1,141.53 | 10,000.00 | 0.00 | Public Safety |
| Fire Department | | | | | | | | | |
| 25-265-020 | 45,000.00 | 0.00 | 0.00 | 45,000.00 | 39,072.54 | 5,927.46 | 45,000.00 | 0.00 | Public Safety |
| PUBLIC WORKS: | | | | | | | | | |
| Streets and Roads Maintenance | | | | | | | | | |
| Salary & Wages | 364,350.00 | 1,500.00 | 0.00 | 365,850.00 | 364,952.80 | 897.20 | 364,350.00 | 0.00 | Public Works |
| Other Expenses | 27,500.00 | 27,100.00 | 0.00 | 54,600.00 | 52,200.95 | 2,399.05 | 27,500.00 | 0.00 | Public Works |
| Street Cleaning | | | | | | | | | |
| Salary & Wages | 50,750.00 | 1,000.00 | 0.00 | 51,750.00 | 51,701.46 | 48.54 | 50,750.00 | 0.00 | Public Works |
| Other Expenses | 700.00 | 0.00 | 0.00 | 700.00 | 510.32 | 189.68 | 700.00 | 0.00 | Public Works |
| Buildings and Grounds | | | | | | | | | |
| Other Expenses | 70,000.00 | 18,000.00 | 0.00 | 88,000.00 | 87,526.95 | 473.05 | 70,000.00 | 0.00 | City Property |
| Vehicle Maintenance | 30,675.00 | (3,800.00) | 0.00 | 26,875.00 | 24,594.75 | 2,280.25 | 30,675.00 | 0.00 | Public Works |
| HEALTH & HUMAN SERVICES: | | | | | | | | | |
| Board of Health | | | | | | | | | |
| 27-330-022 | 350.00 | 0.00 | 0.00 | 350.00 | 0.00 | 350.00 | 350.00 | 0.00 | Human Services |
| 27-340-022 | 22,600.00 | (5,600.00) | 0.00 | 17,000.00 | 17,000.00 | 0.00 | 22,600.00 | 0.00 | Human Services |
| Animal Control Services | | | | | | | | | |
| PARK & RECREATION : | | | | | | | | | |
| Recreation & Parks | | | | | | | | | |
| Other Expenses | 20,000.00 | 1,000.00 | 0.00 | 21,000.00 | 20,949.19 | 50.81 | 20,000.00 | 0.00 | Community Ser |
| INSURANCE: | | | | | | | | | |
| Liability | 263,900.00 | 0.00 | 0.00 | 263,900.00 | 263,789.67 | 110.33 | 263,900.00 | 0.00 | |
| Workers Compensation | 112,665.00 | 0.00 | 0.00 | 112,665.00 | 112,665.00 | 0.00 | 112,665.00 | 0.00 | |
| Employee Group | 1,161,940.00 | 0.00 | 0.00 | 1,161,940.00 | 840,926.35 | 321,013.65 | 1,229,500.00 | 67,560.00 | |

| | 2015 Budget | Transfers | Reimb. | 2015 Final | Disbursed | Balance Reserved | Proposed 2016 | Difference | Committee |
|--------------------------------------|-------------|-------------|--------|------------|------------|------------------|---------------|--------------|-----------|
| MUNICIPAL COURT: | | | | | | | | | |
| Salaries and Wages | 98,000.00 | 1,021.00 | 0.00 | 99,021.00 | 99,020.32 | 0.68 | 98,000.00 | 0.00 | Admin. |
| Other Expenses | 17,000.00 | 1,500.00 | 0.00 | 18,500.00 | 17,717.43 | 782.57 | 17,000.00 | 0.00 | Admin |
| Public Defender | 9,730.00 | 0.00 | 0.00 | 9,730.00 | 9,728.40 | 1.60 | 9,730.00 | 0.00 | Admin |
| UTILITY & BULK PURCHASES: | | | | | | | | | |
| Electricity | 82,000.00 | 60,000.00 | 0.00 | 142,000.00 | 141,297.88 | 702.12 | 103,000.00 | 21,000.00 | |
| Street Lighting | 120,000.00 | (35,000.00) | 0.00 | 85,000.00 | 82,180.50 | 2,819.50 | 120,000.00 | 0.00 | |
| Telephone | 74,000.00 | 16,100.00 | 0.00 | 90,100.00 | 90,011.87 | 88.13 | 74,000.00 | 0.00 | |
| Natural Gas | 13,755.00 | 4,000.00 | 0.00 | 17,755.00 | 17,590.86 | 164.14 | 13,755.00 | 0.00 | |
| Heating Oil | 25,000.00 | 0.00 | 0.00 | 25,000.00 | 16,671.30 | 8,328.70 | 25,000.00 | 0.00 | |
| Gasoline | 86,000.00 | (40,000.00) | 0.00 | 46,000.00 | 43,709.44 | 2,290.56 | 65,000.00 | (21,000.00) | |
| LANDFILL WASTE DISPOSAL: | | | | | | | | | |
| Sanitary Landfill | | | | | | | | | |
| Salary & Wages | 2,400.00 | 0.00 | 0.00 | 2,400.00 | 2,400.00 | 0.00 | 2,400.00 | 0.00 | |
| Other Expenses | 83,600.00 | 0.00 | 0.00 | 83,600.00 | 81,522.91 | 2,077.09 | 83,600.00 | 0.00 | |
| STATUTORY EXPENDITURES: | | | | | | | | | |
| Social Security | 152,300.00 | (10,000.00) | 0.00 | 142,300.00 | 139,051.24 | 3,248.76 | 152,300.00 | 0.00 | |
| Aid to Library (NJSA 40:54-35) | 71,500.00 | 0.00 | 0.00 | 71,500.00 | 71,500.00 | 0.00 | 71,500.00 | 0.00 | |
| Police Dispatch County of Salem | 129,010.00 | 0.00 | 0.00 | 129,010.00 | 129,010.00 | 0.00 | 129,010.00 | 0.00 | |
| FEDERAL AND STATE : | | | | | | | | | |
| GRANTS | 168,650.70 | 0.00 | 0.00 | 168,650.70 | 168,650.70 | 0.00 | 12,952.41 | (155,798.29) | |
| Garbage and Trash Collection | | | | | | | | | |
| Other Expenses | 82,063.00 | 0.00 | 0.00 | 82,063.00 | 78,733.42 | 3,329.58 | 82,063.00 | 0.00 | |
| Capital Improvement Fund | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 50,000.00 | 50,000.00 | |

Year 2016 Budget Worksheet - Salem City

Introduced March 17, 2016

| | 2015 Budget | Transfers | Reimb. | 2015 Final | Disbursed | Balance Reserved | Proposed 2016 | Difference | Committee |
|------------------------------------|--------------|-----------|--------|--------------|--------------|------------------|---------------|-------------|-----------|
| Municipal Debt Service: | | | | | | | | | |
| Bond Principal | 296,000.00 | 0.00 | 0.00 | 296,000.00 | 296,000.00 | 0.00 | 215,000.00 | (81,000.00) | |
| Bond Interest | 95,634.00 | 0.00 | 0.00 | 95,634.00 | 95,634.00 | 0.00 | 86,830.00 | (8,804.00) | |
| Sinking Fund - Finlaw Debt Service | 70,000.00 | 0.00 | 0.00 | 70,000.00 | 70,000.00 | 0.00 | 70,000.00 | 0.00 | |
| Overexpenditures | 4,162.72 | 0.00 | 0.00 | 4,162.72 | 4,162.72 | 0.00 | 8,451.78 | 4,289.06 | |
| Transfer to Bd of Education | 15,800.00 | 0.00 | 0.00 | 15,800.00 | 15,800.00 | 0.00 | 30,500.00 | 14,700.00 | |
| Deferred Charge | 26,000.00 | 0.00 | 0.00 | 26,000.00 | 26,000.00 | 0.00 | 26,000.00 | 0.00 | |
| 2015 OPERATING DEFICIT | | | | | | | 155,945.64 | 155,945.64 | |
| Police & Fire Retirement System | 371,199.00 | 0.00 | 0.00 | 371,199.00 | 371,199.00 | 0.00 | 351,431.00 | (19,768.00) | |
| Public Employees Retirement System | 149,134.00 | 0.00 | 0.00 | 149,134.00 | 149,134.00 | 0.00 | 156,720.00 | 7,586.00 | |
| Reserve for Uncollected Taxes | 1,091,002.63 | | | 1,091,002.63 | 1,091,002.63 | 0.00 | | | |
| TOTAL APPROPRIATIONS | 8,054,449.05 | - | - | 8,054,449.05 | 7,493,416.21 | 561,032.84 | 6,992,545.83 | 29,099.41 | |

(0.00)

1,455,470.40 Reserve for Uncollected Taxes
 8,448,016.23 total expenditures budget 2016
 (3,040,881.34) proposed 2016 revenues beside taxes
 5,407,134.89 taxation

215,567.834 assess values 2016
 2,508 local tax rate proposed 2016
 1,947 local tax rate 2015
 0.561

Year 2016 Budget Worksheet - Salem City

Introduced March 17, 2016

| | 2015 Budget | Transfers | Reimb. | 2015 Final | Disbursed | Balance Reserved | Proposed 2016 | Difference | Committee |
|--------|----------------|---|--------|------------|-----------|-------------------------------|---------------|---------------|--------------|
| School | 6,992,545.83 | proposed 2016 before Reserve for Uncollected Taxes | | | | surplus | 300,000.00 | Proposed 2016 | change |
| County | 2,490,268.00 | 2015 actual | | | | grants | 168,650.70 | 12,852.41 | (300,000.00) |
| | 1,805,733.09 | 2015 actual | | | | municipal court | 88,296.00 | 65,130.00 | (155,798.29) |
| | 11,288,546.92 | total | | | | interest and costs on taxes | 140,835.00 | 99,326.00 | (23,166.00) |
| | (3,040,881.34) | proposed 2016 revenues besides taxation | | | | cable television | 53,151.00 | 53,401.00 | (41,509.00) |
| | 8,247,665.58 | | | | | consolidated relief aid | 334,887.00 | 334,887.00 | 250.00 |
| | 0.8500 | tax collection rate (83.17 actual) (used .8742 in 2015) | | | | energy receipts aid | 1,061,052.00 | 1,061,052.00 | - |
| | 9,703,135.98 | | | | | garbage stickers | 82,063.00 | 82,063.00 | - |
| | 1,455,470.40 | Reserve for uncollected Taxes | | | | transitional aid | 300,000.00 | 255,000.00 | (45,000.00) |
| | | | | | | street openings | 5,750.00 | 5,500.00 | (250.00) |
| | | | | | | Senior Village PILOT | 15,000.00 | 16,500.00 | 1,500.00 |
| | | | | | | Whispering Waters PILOT | 321,000.00 | 321,000.00 | - |
| | | | | | | County of Salem PILOT | 26,192.00 | 26,192.00 | - |
| | 86.22 | 83.17 2015 | | | | SJ Gas Agreement | 31,224.00 | 31,224.00 | - |
| | (15,14,13 ave) | 88.13 2014 | | | | Reserve for Payment of Bonds | 98,031.49 | - | (98,031.49) |
| | | 87.35 2013 | | | | Unappropriated Grants | 3,254.10 | 7,796.93 | 4,542.83 |
| | 87.18 | 86.05 2012 | | | | receipt from delinquent taxes | 663,000.00 | 668,957.00 | 5,957.00 |
| | (14,13,12 ave) | | | | | | 3,692,386.29 | 3,040,881.34 | (651,504.95) |
| | | | | | | taxation | 4,362,062.76 | 5,407,134.89 | 1,045,072.13 |
| | | | | | | | 8,054,449.05 | 8,448,016.23 | 0.00 |

General Debt

| 2012 Qualified Bond Act Bonds | | | | 2002 Bonds | | | | Total Debt | | | |
|-------------------------------|------------|------------|--------------|----------------------|-----------|------------|------------|-------------------------|------------|------------|--------------|
| Date | Interest | Principal | Balance | Date | Interest | Principal | Balance | Year | Interest | Principal | Total |
| 2013 | 101,303.68 | 135,000.00 | 3,110,000.00 | 2013 | 16,435.00 | 140,000.00 | 416,000.00 | 2013 | 117,738.68 | 275,000.00 | 3,526,000.00 |
| 2014 | 97,118.90 | 140,000.00 | 2,975,000.00 | 2014 | 9,666.25 | 145,000.00 | 276,000.00 | 2014 | 106,785.15 | 285,000.00 | 3,251,000.00 |
| 2015 | 92,522.50 | 165,000.00 | 2,670,000.00 | 2015 | 3,111.25 | 131,000.00 | 131,000.00 | 2015 | 95,633.75 | 296,000.00 | 2,966,000.00 |
| 2016 | 86,828.46 | 215,000.00 | 2,455,000.00 | 2016 | - | - | - | 2016 | 86,828.46 | 215,000.00 | 2,670,000.00 |
| 2017 | 80,242.57 | 225,000.00 | 2,230,000.00 | 2017 | - | - | - | 2017 | 80,242.57 | 225,000.00 | 2,455,000.00 |
| 2018 | 73,382.28 | 235,000.00 | 1,995,000.00 | 2018 | - | - | - | 2018 | 73,382.28 | 235,000.00 | 2,230,000.00 |
| 2019 | 66,247.57 | 245,000.00 | 1,750,000.00 | 2019 | - | - | - | 2019 | 66,247.57 | 245,000.00 | 1,995,000.00 |
| 2020 | 58,907.06 | 250,000.00 | 1,500,000.00 | 2020 | - | - | - | 2020 | 58,907.06 | 250,000.00 | 1,750,000.00 |
| 2021 | 51,497.94 | 250,000.00 | 1,250,000.00 | 2021 | - | - | - | 2021 | 51,497.94 | 250,000.00 | 1,500,000.00 |
| 2022 | 44,020.22 | 250,000.00 | 1,000,000.00 | 2022 | - | - | - | 2022 | 44,020.22 | 250,000.00 | 1,250,000.00 |
| 2023 | 35,216.18 | 250,000.00 | 750,000.00 | 2023 | - | - | - | 2023 | 35,216.18 | 250,000.00 | 1,000,000.00 |
| 2024 | 25,154.41 | 250,000.00 | 500,000.00 | 2024 | - | - | - | 2024 | 25,154.41 | 250,000.00 | 750,000.00 |
| 2025 | 15,092.65 | 250,000.00 | 250,000.00 | 2025 | - | - | - | 2025 | 15,092.65 | 250,000.00 | 500,000.00 |
| 2026 | 5,030.88 | 250,000.00 | - | 2026 | - | - | - | 2026 | 5,030.88 | 250,000.00 | 250,000.00 |
| 2027 | - | - | - | 2027 | - | - | - | 2027 | - | - | - |
| 2028 | - | - | - | 2028 | - | - | - | 2028 | - | - | - |
| 2029 | - | - | - | 2029 | - | - | - | 2029 | - | - | - |
| 2030 | - | - | - | 2030 | - | - | - | 2030 | - | - | - |
| 2031 | - | - | - | 2031 | - | - | - | 2031 | - | - | - |
| 832,565.29 3,110,000.00 | | | | 29,212.50 416,000.00 | | | | 861,777.79 3,526,000.00 | | | |

Proof 861,777.79 3,526,000.00

| Note Disclosure | Int | Prin | Total |
|-----------------|------------|--------------|--------------|
| 2013 | 117,738.68 | 275,000.00 | 392,738.68 |
| 2014 | 106,785.15 | 285,000.00 | 391,785.15 |
| 2015 | 95,633.75 | 296,000.00 | 391,633.75 |
| 2016 | 86,828.46 | 215,000.00 | 301,828.46 |
| 2017 | 80,242.57 | 225,000.00 | 305,242.57 |
| 2018-2022 | 294,055.07 | 1,230,000.00 | 1,524,055.07 |
| 2023-2027 | 80,494.12 | 1,000,000.00 | 1,080,494.12 |
| 2028-2032 | 861,777.79 | 3,526,000.00 | 4,387,777.79 |

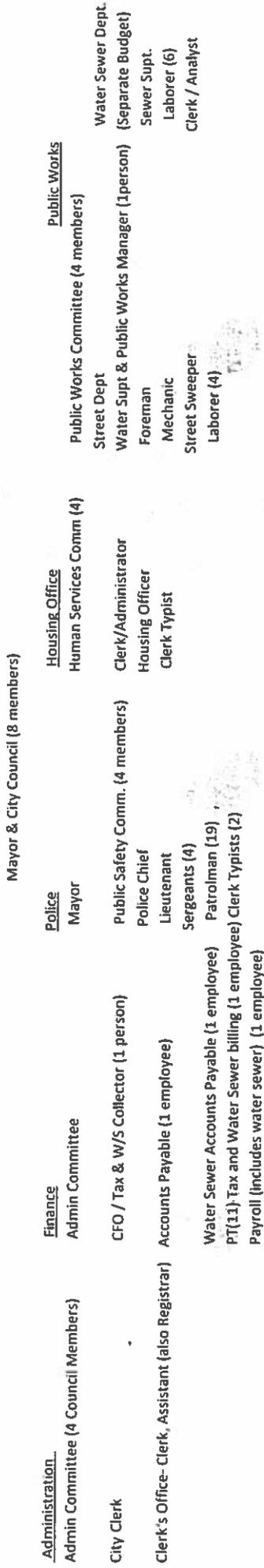
Water and Sewer

| Year | Wastewater Loan | | 2010 Issue EIT Pumping Station 201 and 81 | | 2010 Issue EIT Water Plant 211 and 81 | | State of NJ Dam Restoration Loan 2012 | | Qualified Bonds 2012 | | USDA LOAN | | Year | Interest | Total Debt Principal | Total | | |
|------|-----------------|--------------|---|------------|---------------------------------------|--------------|---------------------------------------|------------|----------------------|----------|-----------|------|-----------|-----------|----------------------|------------|------------|---------------|
| | Interest | Balance | Year | Interest | Balance | Year | Interest | Balance | Year | Interest | Balance | Year | | | | | Interest | Balance |
| 2013 | 173,200.17 | 3,491,311.95 | 18,230.76 | 598,053.07 | 151,376.00 | 5,997,147.56 | 11,480.54 | 552,868.26 | 2013 | 9,446.32 | 15,000.00 | 2013 | 33,335.19 | 11,260.81 | 2013 | 397,048.98 | 565,729.90 | 11,271,829.15 |
| 2014 | 167,487.64 | 3,258,855.96 | 15,770.38 | 565,045.78 | 131,373.00 | 5,362,483.18 | 10,917.10 | 524,373.06 | 2014 | 9,056.10 | 15,000.00 | 2014 | 32,851.53 | 11,744.47 | 2014 | 367,415.95 | 517,529.33 | 10,754,398.82 |
| 2015 | 161,604.22 | 3,031,258.18 | 13,710.00 | 532,045.45 | 111,120.00 | 4,957,650.95 | 10,342.34 | 485,203.14 | 2015 | 8,627.50 | 15,000.00 | 2015 | 32,347.08 | 12,246.82 | 2015 | 327,151.14 | 478,652.16 | 10,224,747.68 |
| 2016 | 155,858.38 | 2,817,747.72 | 12,560.00 | 499,043.14 | 98,870.00 | 4,422,986.53 | 9,756.02 | 455,448.88 | 2016 | 8,198.54 | 20,000.00 | 2016 | 31,820.97 | 13,323.74 | 2016 | 322,408.11 | 359,878.04 | 9,717,701.24 |
| 2017 | 149,974.57 | 2,612,264.85 | 11,610.00 | 466,039.53 | 87,370.00 | 3,953,322.11 | 9,157.82 | 430,652.52 | 2017 | 7,462.43 | 20,000.00 | 2017 | 31,272.26 | 14,482.87 | 2017 | 306,878.04 | 299,464.97 | 9,400,576.69 |
| 2018 | 144,374.46 | 2,424,845.11 | 10,310.00 | 433,039.52 | 78,520.00 | 3,484,898.90 | 8,547.80 | 404,128.04 | 2018 | 6,642.72 | 20,000.00 | 2018 | 30,699.13 | 15,653.39 | 2018 | 274,146.57 | 231,201.61 | 9,124,874.42 |
| 2019 | 138,010.60 | 2,249,045.15 | 9,310.00 | 400,039.51 | 70,520.00 | 3,034,578.59 | 7,923.41 | 372,541.17 | 2019 | 6,177.43 | 20,000.00 | 2019 | 30,101.13 | 16,828.98 | 2019 | 258,067.66 | 180,700.77 | 8,846,173.26 |
| 2020 | 131,623.86 | 2,084,588.47 | 8,310.00 | 367,039.51 | 63,520.00 | 2,604,858.09 | 7,292.41 | 340,318.41 | 2020 | 5,462.84 | 20,000.00 | 2020 | 29,483.42 | 18,000.00 | 2020 | 239,451.89 | 130,120.11 | 8,712,044.11 |
| 2021 | 124,865.27 | 1,934,898.74 | 7,310.00 | 334,039.51 | 57,520.00 | 2,204,858.09 | 6,622.85 | 308,039.41 | 2021 | 4,862.96 | 20,000.00 | 2021 | 28,831.42 | 19,174.80 | 2021 | 228,478.53 | 84,000.00 | 8,583,044.11 |
| 2022 | 117,665.27 | 1,794,898.74 | 6,310.00 | 301,039.51 | 51,520.00 | 1,804,858.09 | 5,922.85 | 275,818.90 | 2022 | 4,104.78 | 20,000.00 | 2022 | 28,144.10 | 20,350.00 | 2022 | 223,478.53 | 64,000.00 | 8,458,044.11 |
| 2023 | 110,465.27 | 1,654,898.74 | 5,310.00 | 268,039.51 | 45,520.00 | 1,404,858.09 | 5,172.85 | 242,818.90 | 2023 | 3,283.82 | 20,000.00 | 2023 | 27,448.10 | 21,525.00 | 2023 | 218,478.53 | 44,000.00 | 8,333,044.11 |
| 2024 | 103,265.27 | 1,514,898.74 | 4,310.00 | 235,039.51 | 39,520.00 | 1,004,858.09 | 4,422.85 | 211,818.90 | 2024 | 2,462.82 | 20,000.00 | 2024 | 26,748.10 | 22,699.00 | 2024 | 163,478.53 | 24,000.00 | 8,208,044.11 |
| 2025 | 96,065.27 | 1,374,898.74 | 3,310.00 | 202,039.51 | 33,520.00 | 604,858.09 | 3,672.85 | 180,818.90 | 2025 | 1,641.82 | 20,000.00 | 2025 | 26,048.10 | 23,874.00 | 2025 | 108,478.53 | 25,000.00 | 8,083,044.11 |
| 2026 | 88,865.27 | 1,234,898.74 | 2,310.00 | 169,039.51 | 27,520.00 | 204,858.09 | 2,922.85 | 149,818.90 | 2026 | 820.82 | 20,000.00 | 2026 | 25,348.10 | 25,045.00 | 2026 | 53,478.53 | 26,000.00 | 7,958,044.11 |
| 2027 | 81,665.27 | 1,094,898.74 | 1,310.00 | 136,039.51 | 21,520.00 | 84,858.09 | 2,172.85 | 110,818.90 | 2027 | 309.82 | 20,000.00 | 2027 | 24,648.10 | 26,220.00 | 2027 | 0,478.53 | 27,000.00 | 7,833,044.11 |
| 2028 | 74,465.27 | 954,898.74 | 309.82 | 103,039.51 | 15,520.00 | 48,858.09 | 1,422.85 | 71,818.90 | 2028 | 129.82 | 20,000.00 | 2028 | 23,948.10 | 27,395.00 | 2028 | 0,478.53 | 28,000.00 | 7,708,044.11 |
| 2029 | 67,265.27 | 814,898.74 | 209.82 | 70,039.51 | 9,520.00 | 14,858.09 | 72.85 | 38,818.90 | 2029 | 59.82 | 20,000.00 | 2029 | 23,248.10 | 28,570.00 | 2029 | 0,478.53 | 29,000.00 | 7,583,044.11 |
| 2030 | 60,065.27 | 674,898.74 | 109.82 | 37,039.51 | 3,520.00 | 5,858.09 | 27.85 | 28,818.90 | 2030 | 0.82 | 20,000.00 | 2030 | 22,548.10 | 29,045.00 | 2030 | 0,478.53 | 30,000.00 | 7,458,044.11 |
| 2031 | 52,865.27 | 534,898.74 | 9.82 | 4,039.51 | 0.00 | 0.00 | 0.00 | 18,818.90 | 2031 | 0.00 | 20,000.00 | 2031 | 21,848.10 | 29,020.00 | 2031 | 0,478.53 | 31,000.00 | 7,333,044.11 |

| 2019 Issue EIT Water Plant 211 and 81 | | 2010 Issue EIT Pumping Station 201 and 81 | | State of NJ Dam Restoration Loan 2012 | | Qualified Bonds 2012 | | USDA LOAN | | Total Debt | | |
|---------------------------------------|------------|---|-----------|---------------------------------------|----------|----------------------|----------|-----------|----------|------------|----------|------------|
| Year | Interest | Year | Interest | Year | Interest | Year | Interest | Year | Interest | Year | Interest | |
| 2013 | 151,376.00 | 18,230.76 | 11,480.54 | 9,446.32 | 2013 | 33,335.19 | 2013 | 9,446.32 | 2013 | 33,335.19 | 2013 | 397,048.98 |
| 2014 | 131,373.00 | 15,770.38 | 10,917.10 | 9,056.10 | 2014 | 32,851.53 | 2014 | 9,056.10 | 2014 | 32,851.53 | 2014 | 367,415.95 |
| 2015 | 111,120.00 | 13,710.00 | 10,342.34 | 8,627.50 | 2015 | 32,347.08 | 2015 | 8,627.50 | 2015 | 32,347.08 | 2015 | 327,151.14 |
| 2016 | 98,870.00 | 12,560.00 | 9,756.02 | 8,198.54 | 2016 | 31,820.97 | 2016 | 8,198.54 | 2016 | 31,820.97 | 2016 | 322,408.11 |
| 2017 | 87,370.00 | 11,610.00 | 9,157.82 | 7,462.43 | 2017 | 31,272.26 | 2017 | 7,462.43 | 2017 | 31,272.26 | 2017 | 306,878.04 |
| 2018 | 78,520.00 | 10,310.00 | 8,547.80 | 6,642.72 | 2018 | 30,699.13 | 2018 | 6,642.72 | 2018 | 30,699.13 | 2018 | 299,464.97 |
| 2019 | 70,520.00 | 9,310.00 | 7,923.41 | 6,177.43 | 2019 | 30,101.13 | 2019 | 6,177.43 | 2019 | 30,101.13 | 2019 | 274,146.57 |
| 2020 | 63,520.00 | 8,310.00 | 7,292.41 | 5,462.84 | 2020 | 29,483.42 | 2020 | 5,462.84 | 2020 | 29,483.42 | 2020 | 258,067.66 |
| 2021 | 57,520.00 | 7,310.00 | 6,622.85 | 4,862.96 | 2021 | 28,831.42 | 2021 | 4,862.96 | 2021 | 28,831.42 | 2021 | 239,451.89 |
| 2022 | 51,520.00 | 6,310.00 | 5,922.85 | 4,104.78 | 2022 | 28,144.10 | 2022 | 4,104.78 | 2022 | 28,144.10 | 2022 | 223,478.53 |
| 2023 | 45,520.00 | 5,310.00 | 5,172.85 | 3,283.82 | 2023 | 27,448.10 | 2023 | 3,283.82 | 2023 | 27,448.10 | 2023 | 218,478.53 |
| 2024 | 39,520.00 | 4,310.00 | 4,422.85 | 2,462.82 | 2024 | 26,748.10 | 2024 | 2,462.82 | 2024 | 26,748.10 | 2024 | 163,478.53 |
| 2025 | 33,520.00 | 3,310.00 | 3,672.85 | 1,641.82 | 2025 | 26,048.10 | 2025 | 1,641.82 | 2025 | 26,048.10 | 2025 | 108,478.53 |
| 2026 | 27,520.00 | 2,310.00 | 2,922.85 | 820.82 | 2026 | 25,348.10 | 2026 | 820.82 | 2026 | 25,348.10 | 2026 | 53,478.53 |
| 2027 | 21,520.00 | 1,310.00 | 2,172.85 | 309.82 | 2027 | 24,648.10 | 2027 | 309.82 | 2027 | 24,648.10 | 2027 | 0,478.53 |
| 2028 | 15,520.00 | 309.82 | 1,422.85 | 129.82 | 2028 | 23,948.10 | 2028 | 129.82 | 2028 | 23,948.10 | 2028 | 0,478.53 |
| 2029 | 9,520.00 | 9.82 | 72.85 | 59.82 | 2029 | 23,248.10 | 2029 | 59.82 | 2029 | 23,248.10 | 2029 | 0,478.53 |
| 2030 | 3,520.00 | 0.82 | 27.85 | 0.82 | 2030 | 22,548.10 | 2030 | 0.82 | 2030 | 22,548.10 | 2030 | 0,478.53 |
| 2031 | 0.00 | 0.00 | 0.00 | 0.00 | 2031 | 21,848.10 | 2031 | 0.00 | 2031 | 21,848.10 | 2031 | 0,478.53 |

| 2019 Issue EIT Water Plant 211 and 81 | | 2010 Issue EIT Pumping Station 201 and 81 | | State of NJ Dam Restoration Loan 2012 | | Qualified Bonds 2012 | | USDA LOAN | | Total Debt | | |
|---------------------------------------|------------|---|-----------|---------------------------------------|----------|----------------------|----------|-----------|----------|------------|----------|------------|
| Year | Interest | Year | Interest | Year | Interest | Year | Interest | Year | Interest | Year | Interest | |
| 2013 | 151,376.00 | 18,230.76 | 11,480.54 | 9,446.32 | 2013 | 33,335.19 | 2013 | 9,446.32 | 2013 | 33,335.19 | 2013 | 397,048.98 |
| 2014 | 131,373.00 | 15,770.38 | 10,917.10 | 9,056.10 | 2014 | 32,851.53 | 2014 | 9,056.10 | 2014 | 32,851.53 | 2014 | 367,415.95 |
| 2015 | 111,120.00 | 13,710.00 | 10,342.34 | 8,627.50 | 2015 | 32,347.08 | 2015 | 8,627.50 | 2015 | 32,347.08 | 2015 | 327,151.14 |
| 2016 | 98,870.00 | 12,560.00 | 9,756.02 | 8,198.54 | 2016 | 31,820.97 | 2016 | 8,198.54 | 2016 | 31,820.97 | 2016 | 322,408.11 |
| 2017 | 87,370.00 | 11,610.00 | 9,157.82 | 7,462.43 | 2017 | 31,272.26 | 2017 | 7,462.43 | 2017 | 31,272.26 | 2017 | 306,878.04 |
| 2018 | 78,520.00 | 10,310.00 | 8,547.80 | 6,642.72 | 2018 | 30,699.13 | 2018 | 6,642.72 | 2018 | 30,699.13 | 2018 | 299,464.97 |
| 2019 | 70,520.00 | 9,310.00 | 7,923.41 | 6,177.43 | 2019 | 30,101.13 | 2019 | 6,177.43 | 2019 | 30,101.13 | 2019 | 274,146.57 |
| 2020 | 63,520.00 | 8,310.00 | 7,292.41 | 5,462.84 | 2020 | 29,483.42 | 2020 | 5,462.84 | 2020 | 29,483.42 | 2020 | 258,067.66 |
| 2021 | 57,520.00 | 7,310.00 | 6,622.85 | 4,862.96 | 2021 | 28,831.42 | 2021 | 4,862.96 | 2021 | 28,831.42 | 2021 | 239,451.89 |
| 2022 | 51,520.00 | 6,310.00 | 5,922.85 | 4,104.78 | 2022 | 28,144.10 | 2022 | 4,104.78 | 2022 | 28,144.10 | 2022 | 223,478.53 |
| 2023 | 45,520.00 | 5,310.00 | 5,172.85 | 3,283.82 | 2023 | 27,448.10 | 2023 | 3,283.82 | 2023 | 27,448.10 | 2023 | 218,478.53 |
| 2024 | 39,520.00 | 4,310.00 | 4,422.85 | 2,462.82 | 2024 | 26,748.10 | 2024 | 2,462.82 | 2024 | 26,748.10 | 2024 | 163,478.53 |
| 2025 | 33,520.00 | 3,310.00 | 3,672.85 | 1,641.82 | 2025 | 26,048.10 | 2025 | 1,641.82 | 2025 | 26,048.10 | 2025 | 108,478.53 |
| 2026 | 27,520.00 | 2,310.00 | 2,922.85 | 820.82 | 2026 | 25,348.10 | 2026 | 820.82 | 2026 | 25,348.10 | 2026 | 53,478.53 |
| 2027 | 21,520.00 | 1,310.00 | 2,172.85 | 309.82 | 2027 | 24,648.10 | 2027 | 309.82 | 2027 | 24,648.10 | 2027 | 0,478.53 |
| 2028 | 15,520.00 | 309.82 | 1,422.85 | 129.82 | 2028 | 23,948.10 | 2028 | 129.82 | 2028 | 23,948.10 | 2028 | 0,478.53 |
| 2029 | 9,520.00 | 9.82 | 72.85 | 59.82 | 2029 | 23,248.10 | 2029 | 59.82 | 2029 | | | |

City of Salem 2016 Organizational Chart



Municipal Court

Judge

Court Administrator

Deputy Court Administrator

Tax Assessor (part time)

Reached
Agreement

11/23/15

FOP

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT ("Agreement") is entered into on November 23, 2015 by and between the City of Salem ("City") and the Salem Police Officers' Association, Fraternal Order of Police Lodge No. 6 ("FOP").

WHEREAS, the FOP is the exclusive representative for the City's police officers below the rank of Lieutenant for the purpose of collective negotiations with the City regarding the terms and conditions of their employment; and

WHEREAS, the City and the FOP were parties to a collective negotiations agreement effective January 1, 2011 through December 31, 2013 ("2013 Agreement"); and

WHEREAS, upon the expiration of the 2013 Agreement, the City and the FOP entered into negotiations for a successor collective negotiations agreement; and

WHEREAS, as a result of those negotiations, the City and the FOP have agreed upon the terms and conditions of a successor collective negotiations agreement and desire to memorialize those terms and conditions in this Memorandum of Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the City and the FOP agree to the following modifications to the 2013 Agreement:

1. **Contract Article:** PREAMBLE

Agreed Change: Remove any and all references to the "Fraternal Order of Police—New Jersey Labor Council, Inc."

2. **Contract Article:** ARTICLE III ("GRIEVANCE PROCEDURE")

Agreed Change: Modify the time limitation set forth in Subsection "B," Paragraph 3 for submitting a written grievance to the Department Head or Chief of Police from "five (5) working days" to "fifteen (15) workdays."

Modify the time limitation set forth in Subsection "B," Paragraph 3 for the Department Head or Chief of Police to communicate a response to the grievant from "ten (10) working days" to "fifteen (15) workdays."

Modify the time limitation set forth in Subsection "B," Paragraph 4 for the Police Committee to issue a written decision to the unit member and FOP from "ten (10) working days" to "fifteen (15) workdays."

Modify the time limitation set forth in Subsection "B," Paragraph 5 for submitting the matter to the Public Employment Relations Commission for arbitration to thirty (30) "calendar" days.

3. Contract Article: ARTICLE V ("FOP RIGHTS AND PRIVILEGES")

Agreed Change: Delete each reference in Subsection "A" to "Chapter 123, Public Laws 1974" and replace each reference with the phrase "the Employer-Employee Relations Act, N.J.S.A. 34:13A-1, et seq."

4. Contract Article: ARTICLE VI ("Salary")

Agreed Change: 2014: 0.0% (step movement only)
2015: 1.0% across-the-board increase, with step movement
2016: 1.5% across-the-board increase, with step movement
2017: 1.5% across-the-board increase, with step movement
2018: 1.5% across-the-board increase, with step movement

The "Entry Level" step shall become the "Academy" step at a rate of \$38,000 for the duration of the contract term. The "After 6 Months" step shall become the "After Academy" step at a rate of \$45,000 for the duration of the contract term. The structure of all other steps shall remain unchanged (less the increases provided for herein).

Salary increases shall be retroactive to January 1, 2014.

"Retro" checks hereunder shall be issued within a reasonable period of time after ratification of this Agreement by both parties.

Holiday pay shall be eliminated effective January 1, 2016 but shall be incorporated at the top-step rate for each rank—i.e., \$3,307 for patrolmen and \$3,534 for sergeants—into base pay at the top step of the salary guide. In other words, the total top-step salary shall be divided by 2,080 hours to

calculate the hourly rate, then that result shall be multiplied by 8 hours, then that sum shall be multiplied by 13 holidays so as to reach the foregoing figures.

5. Contract Article: ARTICLE XVII ("MISCELLANEOUS")

Agreed Change: Incorporate the language contained in the "Television in Radio Room Sidebar Agreement" as Subsection "D" to this Article.

One employee for the term of this Agreement shall be permitted to laterally transfer to another Civil Service jurisdiction provided that said employee had laterally transferred into the Salem City Police Department.

The leave-time-proration grievance filed on behalf of Vanaman and Elk is withdrawn with prejudice, and the final draft of the contract shall be conformed accordingly.

6. Contract Article: ARTICLE XXI ("POLICE BILL OF RIGHTS")

Agreed Change: Modify the language of Subsection "B," Paragraph 1 to allow FOP members subject to disciplinary investigations the opportunity to obtain representation by the FOP "or by legal counsel" before any questioning occurs.

7. Contract Article: ARTICLE XXXII ("Duration of Agreement")

Agreed Change: The duration of this agreement shall be "from January 1, 2014 through December 31, 2018."

8. All appropriate date changes shall be made where necessary.

9. All portions of the present collective negotiations agreement not specifically referenced herein shall remain unchanged.

10. All other proposals made by either party that are not expressly contained within this Agreement are hereby withdrawn.

11. The foregoing terms are subject to ratification by the membership of the FOP and by the City's governing body; however, the undersigned representatives executing this Memorandum of Agreement and all members of the parties' respective negotiating teams represent and warrant that they have negotiated the foregoing terms in good faith, that they will urge their respective constituencies to ratify this Agreement, and that they themselves will vote to ratify this Agreement if called upon to do so.

FOR THE FOP:

FOR THE CITY:

David R. Smith, Pres.

Charles Washington, Mayor

Date: _____

Date: _____

Revised Agreement — Dec 18, 2015 Blue
Collar

MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF SALEM
AND THE CITY OF SALEM
BLUE COLLAR WORKERS ASSOCIATION

The following sets forth the terms of the above parties' agreement for a successor collective bargaining agreement effective January 1, 2015 through December 31, 2019. Where there are no additions, deletions or revisions noted, the parties intend that the provisions of the current collective bargaining agreement effective January 1, 2011 through December 31, 2014 shall remain in full force and effect:

1. **Duration** - The contract shall be a five (5) year agreement effective January 1, 2015 through December 31, 2019. The dates throughout the contract shall be changed accordingly.

2. **Article V – Salary (page 6)** - The salary and salary schedule attached to the contract shall be amended to reflect the following salary increase for all titles and steps therein:

0% increase on all job titles and steps on salary guide for 2015.
Salary guides remain the same as existed in 2014

Effective January 1, 2016, a 1.25% increase for each member, all job titles and steps over the salary in effect on December 31, 2015

Effective January 1, 2017, a 1.25% increase for each member, all job titles and steps over the salary in effect on December 31, 2016

Effective January 1, 2018, a 1.50% increase for each member, all job titles and steps over the salary in effect on December 31, 2017

Effective January 1, 2019, a 1.50% increase for each member, all job titles and steps over the salary in effect on December 31, 2018

Salary guides attached to the contract changed accordingly.

3. **Article V, Section (C) – Longevity (page 7)** – Delete the first and second paragraphs. Change first clause of third paragraph as follows: Replace the word “effective” with “as of,” and delete the words “shall be” before the word “paid,” so Section C shall now read as follows:

As of January 1, 2013, longevity payments ^{will} ~~shall be~~ rolled into the base salary for all members of the bargaining unit for all purposes, including pension and overtime, and paid out as part of the base

salary in accordance with the City's regular payroll practices.

4. **Article VI – Shift Differential (page 8) – Delete last paragraph dealing with dispatchers.**

5. **Article VII, Section A – Holidays (pg. 9) – Section A, under list of holidays, remove “expires December 31, 2014” after “Christmas Eve,” (as long as it falls on a weekday), so the list in Section A shall read as follows:**

| | |
|--|----------------------|
| Washington's Birthday | Labor Day |
| Good Friday | Columbus Day |
| Memorial Day | Veteran's Day |
| Martin Luther King Day | General Election Day |
| Day After Thanksgiving | |
| Christmas Eve (as long as it falls on a weekday) | |

6. **Article VIII, Section E – Sick Leave and Injury Leave (page 12) – Section E, last sentence, should replace “Employees hired after signing this Agreement” with “Employees hired after December 29, 2011.” So the last sentence should now read as follows: “Employees hired after December 29, 2011 shall receive a cap of ten thousand (\$10,000) dollars.”**

7. **Article IX – Vacations (page 13) – Delete last paragraph dealing with dispatcher.**

8. **Article XII, Section A – Health and Welfare Insurance and Physical Examinations (page 16)¹ – Section A, shall be amended by adding the language “subject to premium sharing contributions under P.L. 2011, Chapter 78, as set forth in Section H below,” to the end of the last sentence, so the sentence shall now read:**

The City shall pay the premium for full coverage for health insurance for bargaining unit members and their families subject to premium sharing contributions under P.L. 2011, Chapter 78 as set forth in Section H below. The City is currently a participant in the New Jersey State Health Benefits Plan and it is understood that the policies and regulations (present and future) of said plan cannot be altered by the City.”

9. **Article XII, Section D – Health and Welfare Insurance and Physical Examinations (page 16) – Section D shall now read as follows:**

D. The employee may at his or her option have an annual physical

¹Italicized language is new language.

examination, inclusive of x-rays, provided at the City's expense, unless the employee is eligible to receive the physical examination and x-rays through the City's health insurance program, ~~at no cost to the employee.~~ with the employee being responsible for any applicable *copy, deductible or like charge.*

10. **Article XII, Sections H and I – Health and Welfare Insurance and Physical Examinations (page 16) – Section H shall now read as follows:**

Effective January 1, 2014, all active unit employees who have not withdrawn from the City's health insurance program, shall contribute towards the cost of health insurance in accordance with the provisions of P.L. 2011, Chapter 78. These payments shall be made on a pre-tax basis pursuant to an I.R.S. §125 Salary Reduction Premium-Only Plan, in accordance with the City's regular payroll practices. This contribution shall not be made by any active employee who has opted-out of medical and prescription insurance coverage, or by any retiree.

The following shall be added as new Section I, which is required by P.L. 2011, Chapter 78 and shall now read as follows:

Effective January 1, 2015, pursuant to P.L. 2011, Chapter 78, the City shall provide a flexible spending account (FSA) to permit employees to voluntarily set aside, on a pre-tax basis, a portion of their earnings to pay for qualified medical, prescription, vision and dental expenses not otherwise covered by their health care plan, pursuant to Section 125 of the Internal Revenue Code, 26 U.S.C. §125.

11 **Article XIII – Safety and Work Equipment (page 18) – Third paragraph, second line, after "the cost of eye examination," add the words, "unless otherwise provided by the City, at no cost to the employee under the City's health plan," such that the full sentence shall now read:**

Safety glasses, where appropriate to the job, including the cost of eye examination, ~~unless otherwise provided by the City, at no cost to the employee, under the City's health plan,~~ and prescription safety glasses for those employees who wear prescription glasses. *with the employee responsible for any applicable copy, deductible or like charge*

12. **Article XVIII – Leave of Absence (page 23) – Insert words "up to" in front of "six months" in third line and in front of "six month period" in fourth line. Add sentence requiring employees to report back for duty upon expiration of the date of the leave, such that this provision shall read as follows:**

The Common Council may grant lave of absence without pay to a

permanent employee. Leave of absence shall be for a period of up to six months, which the Common Council may extend for up to an additional six month period. Requests for leave of absence shall be submitted in writing setting forth the reasons for the request, the date of the leave requested, and expected return. Employees shall report back for duty upon expiration of their date of leave.

13. **Miscellaneous Matters** - All other proposals by the parties are withdrawn. There shall be no other changes in the parties' negotiated agreement, except those set forth herein. All items shall be retroactive to January 1, 2015, unless different dates are specified in this Memorandum of Agreement. The terms of this MOA are subject to ratification by the Association and Common Council of the City of Salem, which shall be done as soon as possible. The parties shall make every effort to prepare and execute the negotiated Agreement as soon as practicable after execution and ratification of this MOA. Agreeing to the terms of this MOA, subject to ratification, representatives of the parties sign below.

**The City of Salem Blue Collar
Workers Association**

City of Salem

Dated:

Dated:

CITY OF SALEM POLICE AND HOUSING OFFICE VEHICLES

Police Department

- 1999 Ford Crown Victoria Vin# 2FAFP71W7XX180015
- 1999 Ford Crown Victoria Vin# 2FAFP71W0XX195584
- 2000 Ford Crown Victoria Vin# 2FAFP71W0YX106405
- 2001 Dodge Durango Vin# 1B4HS28N81F644611
- 2001 Ford Crown Victoria Vin# 2FAFP71WX1X197575
- 2001 Ford Crown Victoria Vin# 2FAFP71W01X197603
- 2002 Dodge Durango SLT K-9 Unit Vin# 1B4HS48N72F210631
- 2003 Ford Crown Victoria Vin# 2FAFP71W93X173500
- 2003 Ford Crown Victoria Vin# 2FAFP71W83X201870
- 2005 Dodge Durango Vin# 1D4HB38N05F550028
- 2005 Ford Crown Victoria Vin# 2FAFP71W15X158217
- 2008 Ford Crown Victoria Vin# 2FAFP71V08X132915
- 2008 Ford Crown Victoria Vin# 2FAFP71V98X132914
- 2008 Ford Crown Victoria Vin# 2FAFP71V88X175625
- 2014 Ford Explorer

2 2015 Ford Explorers UsDA Grant

CITY OF SALEM POLICE DEPT. HOUSING OFFICE AND STREET DEPT. VEHICLES

Housing Office

1999 Mercury Mountaineer Vin# 4M2DU55P9XUJ05089

Street Department

1992 Chevrolet Caprice Vin# 1G1BL537XNW144688

1995 Ford F80 Recycling Vin# 1FDXF80C9SVA29374

1995 Ford F150 Pickup Vin# 1FTEF15NXSNB13331

1998 International 4700 Box Truck Vin# 1HTSCABN0WH580474

2000 Pelican Street Sweeper

2003 Ford F450 Dump Truck Vin# 1FDXF47P23ED84163

2007 Ford F650 Recycling Truck Vin# 3FRXF65RX7V543920

2008 Ford F350 Dump Truck Vin# 1FDWF37538EE39084

**CITY OF SALEM
ORDINANCE 1307**

**AN ORDINANCE AMENDING SECTION 2 OF CHAPTER 43 OF THE MUNICIPAL
CODE OF THE CITY OF SALEM FIXING THE TITLES, SALARIES AND
COMPENSATION RANGES OF OFFICERS AND EMPLOYEES OF
THE CITY OF SALEM**

BE IT HEREBY ORDAINED, by the Common Council of the City of Salem, in the County of Salem and State of New Jersey, that Section 2 of Chapter 43 of the Municipal Code be amended to read as follows:

| 1. Administration | Title Code | Not to Exceed | |
|---|-------------------|----------------------|-----|
| a) Mayor | 02428 | \$ 8,700.00 | Yr. |
| b) Council Members | 01381 | \$ 6,700.00 | Yr. |
| Council President | | \$ 500.00 | Yr. |
| c) Emergency Management Coordinator | 05079 | \$ 5,465.00 | Yr. |
| d) Deputy Emergency Management Coordinator | | \$ 2,679.00 | Yr. |
| e) Clerk/Typist | 01268 | \$ 32,528.00 | Yr. |
| f) Tax Search Officer | 05467 | \$ 1,167.00 | Yr. |
| g) Municipal Search Officer | 05852 | \$ 1,167.00 | Yr. |
| h) Community Development Cord. | | \$ 12,000.00 | Yr. |
| 2. Municipal Court | | | |
| a) Judge | 02219 | \$ 20,300.00 | Yr. |
| b) Court Administrator | 07795 | \$ 39,585.00 | Yr. |
| c) Deputy Court Administrator | 07796 | \$ 31,000.00 | Yr. |
| d) Public Defender | 05303 | \$ 9,637.00 | Yr. |
| e) Prosecutor | 02534 | \$ 19,462.00 | Yr. |
| 3. Tax Assessor's Office | | | |
| a) Tax Assessor | 04120 | \$ 21,482.00 | Yr. |
| b) Sr. Bookkeeping Machine Operator | 03213 | \$ 52,052.00 | Yr. |
| 4. City Clerk's Office | | | |
| a) City Clerk | 01229 | \$ 52,020.00 | Yr. |
| b) Registrar | 07523 | \$ 5,000.00 | Yr. |
| c) Administrator | 06310 | \$ 10,200.00 | Yr. |
| d) Deputy Municipal Clerk | 00617 | \$ 20,000.00 | Yr. |
| e) Clerk/Typist | 01268 | \$ 32,528.00 | Yr. |

ORDINANCE 1307

5. Department of Inspections and Permits

| | | | |
|---------------------------|-------|--------------|-----|
| a) Sr. Housing Inspector | 03368 | \$ 52,975.00 | Yr. |
| b) Housing Inspector | 02071 | \$ 45,852.00 | Yr. |
| c) Principal Clerk/Typist | 02781 | \$ 37,385.00 | Yr. |
| d) Clerk/Typist | 01268 | \$ 32,528.00 | Yr. |
| e) Sanitation Inspector | 03110 | \$ 21,616.00 | Yr. |

6. Finance

| | | | |
|--|----------------|--------------|-----|
| a) Chief Financial Officer/ Tax Collector | 07541 04124 | \$ 98,987.00 | Yr. |
| b) Sr. Bookkeeping Machine Operator | 03214 | \$ 52,052.00 | Yr. |
| c) Principal Account Clerk Typist | 02757 | \$ 52,052.00 | Yr. |
| d) Clerk/Typist | 01268 | \$ 32,528.00 | Yr. |
| e) Account Clerk Typist | 00003 | \$ 34,689.00 | Yr. |
| f) Sr. Account Clerk/Typist | 03168 | \$ 37,400.00 | Yr. |
| g) Payroll Clerk | 02634 | \$ 37,400.00 | Yr. |
| h) Sr. Payroll Clerk | 03496 | \$ 40,163.00 | Yr. |
| i) Prin. Payroll Clerk | 26994 | \$ 52,052.00 | Yr. |

7. Public Safety Department/Police

| | | | |
|--|------------|--------------|-----|
| a) Chief of Police | 02719 | \$ 89,143.00 | Yr. |
| b) Lieutenant | 02727 | \$ 79,911.00 | Yr. |
| c) Sergeants | 12379 | \$ 69,636.00 | Yr. |
| Assign. Investigator | Additional | \$ 500.00 | Yr. |
| d) Police Officer | 02728 | \$ 65,176.00 | Yr. |
| Assign. Investigator | Additional | \$ 500.00 | |
| e) School Crossing Guards | 03125 | \$ 12.21 | Hr. |
| f) Clerk/Typist/Confidential Responsibilities | 02757 | \$ 41,034.42 | Yr. |
| g) Principal Account Clerk | 02757 | \$ 47,624.00 | Yr. |
| h) Sr. Clerk Typist | 03256 | \$ 33,242.00 | Yr. |
| i) Special Police, Class II | | \$ 35.42 | Hr. |
| j) Special Police, Class I | | \$ 15.26 | Hr. |
| k) Corporal | Additional | \$ 1,000.00 | Yr. |

8. Street Department

| | | | |
|--------------------------|-------|--------------|-----|
| a) General Supervisor | 06056 | \$ 75,140.00 | Yr. |
| b) Senior Mechanic | 03459 | \$ 63,972.00 | Yr. |
| c) Mechanic | 02434 | \$ 60,925.00 | Yr. |
| d) Equipment Operator | 01746 | \$ 52,393.00 | Yr. |
| e) Motor Broom Operator | 05565 | \$ 46,061.00 | Yr. |
| f) Truck Driver | 04222 | \$ 46,061.00 | Yr. |
| g) Laborer | 02248 | \$ 43,007.00 | Yr. |
| h) Recycling Coordinator | 07622 | \$ 1,200.00 | Yr. |

ORDINANCE 1307

9. Water & Sewer Department

| | | | |
|---|-------|--------------|-----|
| a) Water Superintendent | 04294 | \$100,702.00 | Yr. |
| b) Sewer Superintendent | 03678 | \$100,702.00 | Yr. |
| c) Sr. Water/Sewer Repairer | 03638 | \$ 61,066.00 | Yr. |
| d) Water/Sewer Repairer | 04259 | \$ 55,166.00 | Yr. |
| e) Assistant Water/Sewer Repairer | 00813 | \$ 49,395.00 | Yr. |
| f) Sr. Water/Sewer Plant Operator | 05929 | \$ 61,066.00 | Yr. |
| g) Water/Sewer Plant Operator | 05943 | \$ 55,161.00 | Yr. |
| h) Assistant Water/Sewer Plant Operator | 05814 | \$ 49,395.00 | Yr. |
| i) Meter Reader/Repairer | 05747 | \$ 49,395.00 | Yr. |
| j) Laborer | 02248 | \$ 43,007.00 | Yr. |
| k) Sr. Bookkeeping Machine | 03214 | \$ 52,052.00 | Yr. |
| l) Lab. Tech Water Analysis & Principal Clerk/Typist | 07439 | \$ 66,603.00 | Yr. |
| m) Sewer Equipment Operator | 03679 | \$ 52,393.00 | Yr. |
| n) Machinist | 02317 | \$ 63,972.00 | Yr. |

10. Legal

| | | | |
|-----------------------------|--|--------------|-----|
| a) Solicitor | | \$ 88,000.00 | Yr. |
| b) Planning Board Solicitor | | \$ 8,300.00 | Yr. |

11. Recreation Department: The recreation department employees will be paid by resolution adopted by the Common Council as the need arises.

12. There shall be no salary paid to the City Engineer, but he shall be paid for services actually rendered to the City at the prevailing rates set forth in an agreement or a fixed fee pursuant to a special agreement made for a particular project, but in no case shall said fee be based on a percentage of the cost of said project.

13. The Animal Control Officer shall be paid at a rate set forth in an agreement entered into for animal control services.

14. Salaries listed for Water/ Sewer Superintendents' in 9(a) and 9(b) above include \$3,000.00 for the Quinton Sewer Maintenance Agreement

15. (a) Except where otherwise provided by collective bargaining agreements, all full time employees shall be paid time and a half for all hours worked in excess of eight hours per day or forty hours per week. Overtime pay shall not apply to department heads.

(b) Employees shall be paid a shift differential in addition to their hourly rate of pay and a longevity payment where so provided in the applicable collective bargaining agreement.

(c) Payment with respect to holidays shall be paid in accordance with the terms of the applicable collective bargaining agreement.

ORDINANCE 1307

(d) Bereavement leave shall be paid in accordance with the applicable collective bargaining agreement.

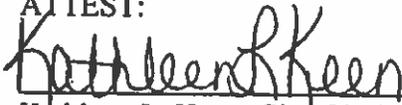
(e) If an employee is on sick leave or disability leave with pay, he shall at the end of that calendar week in which the sickness or disability occurs be considered to be on the day shift Monday to Friday, forty hours per week and no overtime shall be paid.

16. All sections of Chapter 43:02 of the Municipal Code of the City of Salem inconsistent herewith are hereby repealed.

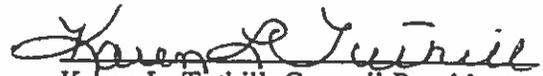
17. This ordinance shall govern salaries and wages of the City of Salem for the period from January 1, 2013 until a successor ordinance is enacted. Individual salaries shall be paid in accordance with the salary guide to be adopted by the Common Council and also in accordance with any Collective Bargaining Agreements shall govern.

18. In the case of any provisions inconsistent with the Collective Bargaining Agreements, the provisions of the Collective Bargaining Agreements shall govern. This ordinance shall take effect in the manner prescribed by law.

ATTEST:


Kathleen L. Keen, City Clerk

CITY OF SALEM


Karen L. Tuthill, Council President

Introduced: August 19, 2013

| COUNCIL | MOVED | SECOND | Y | N | ABSTAIN | ABSENT |
|---------------|-------|--------|---|---|---------|--------|
| V. Groce | | | X | | | |
| S. Hampton | | X | X | | | |
| H. Johnson | X | | X | | | |
| R. Johnson | | | | | | X |
| R. Lanard | | | | X | | |
| K. Roots | | | X | | | |
| J. Waddington | | | X | | | |
| K. Tuthill | | | X | | | |

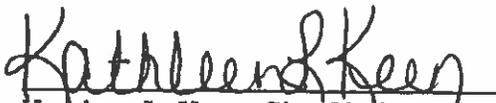
Introduced: August 19, 2013

Published: August 30, 2013

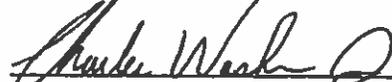
Public Hearing and Final Adoption: September 16, 2013

Final Publication: September 20, 2013

I hereby certify the foregoing Ordinance was duly adopted by The City Council at its meeting on September 16, 2013.


Kathleen L. Keen, City Clerk

APPROVED BY MAYOR:


Charles Washington, Jr., Mayor

Dated: 9-25-13



CITY OF SALEM
OFFICE OF THE MAYOR
CHARLES WASHINGTON, JR.
17 NEW MARKET STREET
SALEM, NEW JERSEY 08079
856.935.0373 TELE

March 18, 2016

Division of Local Government Services
101 South Broad Street, PO Box 803
Trenton, NJ 08625-0803
Attn: Timothy Cunningham, Director

RE: SALEM CITY TRANSITIONAL AID APPLICATION - 2016

Dear Director Cunningham:

In accordance with applicable regulations I am writing this letter in support of Salem City's Transitional Aid application for 2016, which requests funding in excess of that granted for 2015. The reason for the increase in the funding request is outlined in detail in the application enclosed herewith, however the most compelling reason is that the amount of aid needed to stay within the mandatory 2% CAP has increased, not because of any increase in spending, but due to: (a) the fact that 2015 was the last year that Salem received beneficial treatment for an MRNA/surplus derived from an environmental claim settlement; and (b) major reduction in tax collection resulting from the depressed real estate market where investors are no longer purchasing Salem's tax liens.

Sincerely,
City of Salem

By: 
Charles Washington, Jr., Mayor

CREDIT OPINION

24 February 2016

Update
Contacts

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Dan Seymour, CFA 212-553-4871
 Assistant Vice
 President - Analyst
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Salem City, NJ

Update - Moody's Revises Salem, NJ's Outlook to Negative;
 Affirms Ba3 GO

Summary Rating Rationale

Moody's Investors Service has affirmed the Ba3 rating on the City of Salem, NJ's General Obligation debt. The outlook has been revised to negative from stable. Concurrently, Moody's has affirmed the A3 enhanced rating on the city's Series 2012 Municipal Qualified Bond Act (MQBA) enhanced bonds. The outlook on the enhanced rating remains negative.

The affirmation of the Ba3 rating reflects the large and possibly unaffordable guaranty the city pledged for debt issued to fund an office project. The city has provided budgetary support to the project in recent years. Debt service is expected to escalate significantly beginning in 2027 and the size of the liability relative to the city's budget poses risks of significant bondholder loss in the future. The rating also encompasses the city's adequate but weakening financial position and very weak tax base and demographic profile.

The A3 enhanced rating reflects the additional security provided by the state's Municipal Qualified Bond Act (MQBA) pre-default state intercept program. The A3 rating is one notch below the State of New Jersey (A2 negative), reflecting a strong 2.8 times 2014 debt service coverage of provided by qualified state aid revenues.

Credit Strengths

- » Demonstrated willingness to honor GO guarantee

Credit Challenges

- » Long and back-loaded amortization schedule on city-guaranteed debt
- » Significant uncertainty of out-year lease payments to support debt service on city-guaranteed debt
- » Limited ability to honor GO guaranty in full
- » Limited local economy

Rating Outlook

The negative underlying outlook reflects our expectation that city operations will be significantly pressured over the next 12 to 18 months, and that the city's financial position could deteriorate further. The outlook also reflects the lack of progress in restructuring the guaranteed project in a way which would render it self-supporting.

The negative outlook assigned to the enhanced qualified bond ratings is directly linked to the state's negative outlook.

Factors that Could Lead to an Upgrade/Removal of Negative Outlook

- » Long-term prospects for city-guaranteed debt to become permanently self-sustaining
- » Demonstrated ability to meet GO guaranty if called in full
- » Significant and sustained improvement in liquidity and Current Fund balance
- » Material improvements in the city's socioeconomic profile

Factors that Could Lead to a Downgrade

- » Further deterioration in Current Fund balance and/or cash reserves
- » Material declines in the tax base or socioeconomic profile
- » Loss of tenant or increase in costs leading to large call on city GO guaranty
- » Demonstration of a lack of willingness to meet GO guaranty if called
- » Absence of positive development which would tend to render the city-guaranteed debt self-sustaining

Key Indicators

Exhibit 1

| Salem (City of) NJ | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------|------------|------------|------------|------------|
| Economy/Tax Base | | | | | |
| Total Full Value (\$000) | \$ 237,308 | \$ 234,663 | \$ 234,024 | \$ 214,060 | \$ 182,725 |
| Full Value Per Capita | \$ 46,115 | \$ 45,717 | \$ 46,140 | \$ 42,633 | \$ 36,392 |
| Median Family Income (% of US Median) | 60.8% | 60.8% | 61.7% | 61.7% | 61.7% |
| Finances | | | | | |
| Operating Revenue (\$000) | \$ 7,083 | \$ 8,003 | \$ 7,431 | \$ 7,432 | \$ 7,111 |
| Fund Balance as a % of Revenues | 28.0% | 44.4% | 37.4% | 40.5% | 30.9% |
| Cash Balance as a % of Revenues | 28.5% | 30.2% | 17.4% | 25.9% | 22.3% |
| Debt/Pensions | | | | | |
| Net Direct Debt (\$000) | \$ 37,795 | \$ 36,789 | \$ 33,852 | \$ 26,124 | \$ 32,795 |
| Net Direct Debt / Operating Revenues (x) | 5.3x | 4.6x | 4.6x | 3.5x | 4.6x |
| Net Direct Debt / Full Value (%) | 15.9% | 15.7% | 14.5% | 12.2% | 17.9% |
| Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x) | N/A | N/A | 1.5x | 1.7x | 2.1x |
| Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%) | N/A | N/A | 4.7% | 5.9% | 8.1% |

Source: Moody's Investors Service

Detailed Rating Considerations

Enhanced Rating: Adequate Debt Service Provided by Qualified State Aid Revenue

The city's enhanced rating of A3 is based on the Municipal Qualified Bond Act (MQBA) pre-default intercept program. The program diverts appropriated state aid directly from the state to a paying agent for the payment of debt service before ever reaching the city. A statutory lien and trust are placed on the withheld qualified revenues. In most cases, the rating for the MQBA enhancement is notched

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history

one off of the State of New Jersey's rating, and may be notched further depending on the level of maximum annual debt service coverage provided by state aid.

Qualified state aid revenues provide 3.12 times coverage. Therefore, the rating is one notch below the state's A2 GO rating.

Economy and Tax Base: Limited tax base with weak socioeconomic profile

The city's tax base will remain weak as it continues suffer from declining wealth levels and property values and elevated poverty levels. Salem, located 20 miles south of the [City of Wilmington](#), DE (Aa2 stable) is the county seat of [Salem County](#), NJ (A1 stable). Socioeconomic indicators in the \$149 million tax base are well below-average, with a median family income equal to 46.5% of the nation. The poverty rate is an elevated 39.4%. The five-year compound annual decrease in equalized value is 8.8% and accelerating. The tax base shrank 14.6% in 2014 and 18.2% in 2015. Management reports little in the way of new development

Due, in part, to a substantial gap between assessed and equalized values, tax appeals are a perennial occurrence. The city had over 100 appeals last year and issued a \$320,000 special emergency note to pay for them. The city has been ordered to do a revaluation which should bring assessed value closer into line with equalized value, likely reducing tax appeals.

Financial Operations and Reserves: Adequate but weakening finances

Absent larger than expected calls on the city's guarantee, the city's financial position should remain adequate in the near term. Current Fund balance decreased modestly in 2014 to \$372,000, or 5.2% of Current Fund revenues, from \$580,000, or 7.8% of revenues in 2013. Moody's makes certain adjustments to New Jersey local governments' fund balances to include receivables and reserves that would be eligible to be included in fund balance under GAAP accounting but are excluded as a result of state statutory accounting regulations. The city's Moody's-adjusted Current Fund Balance declined to \$2.2 million (30.9%) in 2014 from \$3 million (40.5%) in 2013. Ordinarily, these balances would be considered strong for a city with a budget the size of Salem's. However, given the city's high debt and the strong expectation that the city will have to pay debt service on the guaranteed bonds, the finances can only be considered adequate. Fixed costs, including debt service, pensions, and other post-employment benefits come to \$1.6 million, or 21.2% of expenditures.

Although the 2015 audit is not yet available, preliminary 2015 numbers, show reported fund balance declining to only \$72,000 while adjusted fund balance declined to \$1.7 million.

The city intends to introduce its 2016 budget in March. The details have not been settled, however, management reports that the city will ask for transitional aid from the state.

LIQUIDITY

The city's liquidity remains adequate. Fiscal 2014 ended with \$1.6 million in cash, or 22.3% of revenues. Preliminary 2015 numbers show a decline to \$850,000 or 11.8%.

Debt and Pensions: Elevated debt burden exacerbated by large guarantee

The city has taken on a liability that is disproportionate to the city's size and ability to pay, which is reflected in the very high debt burden of 17.9% of equalized value. Included in the debt burden is the entire \$19.1 million associated with the Finlaw project (see debt structure below). The Finlaw project's debt structure also presents risks in the out years, as debt service increases significantly beginning in 2028, reaching maximum annual debt service of \$1.99 million in 2029. This significant increase in debt service also coincides with the year that the state's office lease term expires, creating uncertainty about what lease revenues will be during the years of highest debt service on the bonds.

DEBT STRUCTURE

All of the city's debt is fixed rate.

In 2007, the city guaranteed bonds, issued by the Salem County Improvement Authority (SCIA), to finance a downtown office building. The bonds, while ultimately secured by the city's general obligation tax pledge, were expected to be supported by revenues generated by leasing the office space. Construction delays of the facility resulted in delayed lease payments. As such, the improvement authority has made debt service payments, in part, with funds from the Debt Service Reserve Fund. The city guarantee calls for the Debt Service

Reserve, initially funded at 125% of average annual debt service, or \$1.8 million, to be used first for any deficiency. Following six draws (\$488,000 in February 2009, \$127,000 in August 2009, \$55,000 in February 2010, \$159,000 in August 2010, \$102,000 in February 2011, and \$142,000 in August 2011), the fund has been reduced to \$772,000.

If the Debt Service Reserve Fund becomes exhausted, the city is obligated to pay debt service for the life of the bonds as there is no replenishment mechanism for the Debt Service Reserve. Under the terms of the Guaranty Agreement between the city, the SCIA and Fulton Financial Advisors, N.A. (the trustee for the transaction), if the SCIA has not deposited with the trustee sufficient funds to pay debt service 20 days into the month preceding the month in which debt service is due (February and August 15), the trustee will immediately inform the city of the deficiency. The city is then obligated to remit to the trustee an amount equal to the deficiency three business days before debt service is due. The city is obligated to take any action required for timely payment of debt service, including the unlimited increase of property taxes and the adoption of an emergency appropriation.

Since 2011, the debt service reserve fund has not been tapped. Instead, the city makes annual appropriations to cover the debt service shortfall. Favorably, from 2012-2014, the city overbudgeted, allowing the excess funds to be turned into a reserve totaling \$234,513. Preliminary 2015 numbers show a modest draw was made on this reserve, as the city budgeted \$80,000 and had to pay \$100,000.

An important risk in the structure, as we identified when we first assigned a rating to the bonds, is the fact that the anchor tenant, the [State of New Jersey](#) (A2 negative), signed a 20-year lease while the bonds amortize over 30 years, leaving funding uncertainties in the out years. Additionally, despite the recent lease and expenditure adjustments at the office building, the revenue associated with the signed leases are still insufficient to cover debt service.

The risks to the revenue stream associated with the 20-year term of the state lease, which accounts for the majority of revenue (\$914,000, or 76% of the total revenue identified), a termination of the leases before bonds mature, and previous draws on reserves have increased the likelihood that the city will have to absorb future debt service payments into the city's own budget. Given the size of the debt in relation to the city's limited resources, the city's ability to raise the required funds for debt service would have a material impact on its financial position. The bonds' maximum annual debt service is \$1.99 million, an amount equal to 51% of the 2014 property tax levy. Moody's believes this level of increase would be unmanageable given the city's limited tax base and means.

DEBT-RELATED DERIVATIVES

The city is not party to any swaps or other derivatives.

PENSIONS AND OPEB

Salem has an above-average defined-benefit pension burden, based on Moody's-estimated share of a cost-sharing plans administered by the state. Moody's adjusted net pension liability (ANPL) for the township, under our methodology for adjusting reported pension data, is \$17.6 million, or an above-average 2.47 times Current Fund revenues. The township's 2014 contribution to the retirement system was \$382,000 for the Police and Firemen's Retirement System (PFRS) and \$218,000 for the Public Employees' Retirement System (PERS). Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the township's reported liability information, but to improve comparability with other rated entities

Management and Governance

New Jersey cities have an institutional framework score of "Aa," or strong. Revenues are moderately predictable and mostly consist of property taxes; however, cities are required to make county and school district tax levies whole in the event of tax appeals. Revenue raising ability is moderate as cities are constrained by a 2% cap on the property tax levy. Cities can raise the levy above the cap for debt service, pensions and certain qualified expenses. Expenditures, which primarily consist of personnel and public safety, are highly predictable given a 2% arbitration award cap for disputes with police and fire employees. Cities have a moderate ability to adjust costs given the presence of collective bargaining and high fixed costs.

Legal Security

The city's bonds are secured by the its general obligation unlimited tax pledge. The series 2012 bonds are additionally enhanced by the State of New Jersey's Municipal Qualified Bond Act pre-default intercept program.

Use of Proceeds

Not applicable.

Obligor Profile

Salem is the county seat of Salem County. It is located in the southwestern part of the state along across the Delaware River from the [State of Delaware](#) (Aaa stable). The city has a population of approximately 5,000.

Methodology

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings: Pre and Post Default published in July 2013. Please see the Ratings Methodologies page on www.moody.com for a copy of these methodologies.

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