

Transitional Aid Application for Calendar Year 2019
Division of Local Government Services
Department of Community Affairs

General Instructions: This application must be submitted in its entirety by May 24, 2019 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2019-8 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 / Collector
Phone:	609-420-7976	Fax:	856-935-6360	E-mail:	salemcfco@comcast.net

I. Aid History

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

CY 2018	CY 2017	CY2016
\$1,400,000	\$1,130,000	\$1,130,000

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

Amount of aid requested for the Application Year:	\$1,430,000
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If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2019-8.

III. Submission Requirements



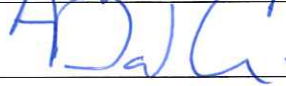
The following items must be submitted with, or prior to, submission of this application. Indicate date of submission of each.

Item	Date Submitted to DLGS
2018 Annual Financial Statement	March 11, 2019
2017 Annual Audit	June 28, 2018
2017 Corrective Action Plan	October 15, 2018
Application Year Introduced Budget	April 15, 2019
Budget Documentation Submitted to Governing Body	April 1, 2019

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IV.A Application Certification

The undersigned herewith certify that they have reviewed this application and, individually, believes the contents to be true and accurately portray 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		5-20-19
Governing Body Presiding Officer		5-23-19
Chief Financial Officer		5-23-19
Chief Administrative Officer		

IV.B CY2018 Transitional Aid Recipients Applying in 2019

CY2018 Municipalities operating under a Memorandum of Understanding ("MOU") must certify that they are in substantial compliance with all conditions and requirements of the MOU.

Official	Signature	Date
Mayor/Chief Executive Officer		5-20-19
Governing Body Presiding Officer		5-23-19
Chief Financial Officer		5-23-19
Chief Administrative Officer		

V-A. Explanation of Need for Transitional Aid

Explain the circumstances that warrant 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 jeopardize the fiscal integrity of the municipality.

See Attachment A

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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 in 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	2018 Value	2019 Value	Amount of Loss/Increase
Anticipated Deficit – Utility Fund	\$0.00	\$183,000	\$183,000
Description:	Gen Fund appropriation to balance WS Budget		
Employee Group Insurance	\$1,367,500	\$1,435,875	\$68,375
Description:			
Police and Fire Pension	\$327,198	\$397,809	\$70,611
Description:	State Invoice		
Sanitary Landfill Other Expenses	\$83,600	\$115,000	\$31,400
Description:	Increase in Trash Hauler Contract, was low bid.		
Reserve for Uncollected Taxes	\$1,542,848.37	\$1,686,243.08	\$143,294.71
Description:	Estimated not set until adoption of budget		
Description:			
Description:			

V-C. Actions to Reduce Future Need for Aid

Detail the steps the municipality is taking to reduce the need for future aid. Include details about shared services and consolidation, 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.

These steps should demonstrate initiatives taken to bring structural balance to the Municipality's finances and shall include, but are not limited to the following:

Use additional pages if necessary

- Efforts to bring economic development to the Municipality; and
- A plan to constrain or reduce staffing costs through collective negotiation, attrition, consolidation, restructuring, or other personnel actions; and
- A plan to eliminate, reduce or constrain the costs of non-essential services and activities; and
- A plan to maximize recurring revenues, including, as appropriate: updating fees, fines and penalties; maximizing enforcement of delinquencies; and selling surplus land and property; and
- A plan to address findings contained in various audits, investigations, and reports with respect to the Municipality, including municipal audits, applicable State Comptroller and State Auditor reports and audits, federal program audits, and other audits as identified by the Director

See Attachment B

V-D. Discussion of Health Benefits

Skip this section if using SHBP. If not using SHBP, explain why the municipality's current health benefits plan is cheaper, or what other reasons exist to reject this alternative. 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.

Currently in SHBP

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VI. Historical Fiscal Statistics

Item	2017	2018	Introduced Application Year
1. Property Tax/Budget Information			
Municipal tax rate (Includes Library)	\$3.583	\$3.602	\$3.897
Municipal Purposes tax levy	\$4,442,827.39	\$4,481,556.03	\$4,823,620.94
Municipal Open Space tax levy	\$NA	\$NA	\$NA
Total general appropriations	\$10,320,771.32	\$9,095,119.35	\$9,169,595.31
2. Cash Status Information			
% Of current taxes collected	80.64%	77.67%	%
% Used in computation of reserve	82.133%	82% 3 yr avg	81.25% 3yr avg
Reserve for uncollected taxes	\$1,535,073.49	\$1,542,848.37	\$1,686,243.42
Total year end cash surplus	\$443,206.53	\$603,104.62	
Total non-cash surplus	\$281,427.05	\$192,000.00	
Year end deferred charges	\$281,427.05	\$192,000	
3. Assessment Data			
Assessed value (as of 1/10)	\$123,956,510	\$124,382,603	\$123,788,835
Average Residential Assessment	\$45,740.00	\$45,767.72	\$45,685
Number of tax appeals granted	4	5	
Amount budgeted for tax appeals	\$0	\$0	\$0
Refunding bonds for tax appeals	\$0	\$0	\$0
4. Full time Staffing Levels			
Uniformed Police - Staff Number	19	21	22
Total S&W Expenditures	\$1,594,976.77	\$1,694,185.82	\$1,757,980.00
Uniformed Fire - Staff Number	NA	NA	NA
Total S&W Expenditures	\$ NA	\$ NA	\$ NA
All Other Employees - Staff Number	20	21	20
Total S&W Expenditures	\$868,471.12	\$854,343.61	\$928,527.00
5. Impact of Proposed Tax Levy			
			Amount
Current Year Taxable Value			123,788,835
Introduced Tax Levy			4,823,620.94
Proposed Municipal Tax Rate	\$3.897	Average Res. Value (#4 above)	\$45,685
Current Year Taxes on Average Residential Value (#4 above)			\$1,780.34
Prior Year Taxes on Average Residential Value			\$1,648.55
Proposed Increase in average residential taxes			\$131.79

VII. Application Year Budget Information

A. Year of latest revaluation/reassessment	2017
A1. Most current equalized ratio	88.57

B. Proposed Budget – Appropriation Cap Information

	Yes	No
Item		
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	X	
3.5%		
2. Amount of appropriation cap bank available going into this year		
\$251,795.19		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance		X
\$307,200		
4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap? If YES, amount:		X
\$NA		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Anticipated Utility Fund Deficit	\$0.00	\$183,000.00	\$183,000.00
Police and Fire Retirement System	\$327,197.47	\$397,809.00	\$70,611.00
Employee Group Health Ins.	\$1,119,664.59	\$1,435,875	\$68,375.00
Sanitary Landfill – Other Exp.	\$96,597.52	\$115,000.00	\$31,400.00
Police – Salary & Wages	\$1,694,185.82	\$1,757,980.00	\$25,980.00

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

Department/Agency	Position	Number	Dollar Amount
	NONE		

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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	4,849,757.20	4,313,842.00	640,500.00	3,005,241.00	2,950,000.00
Second year	4,946,752.34	4,634,342.00	\$320,000	3,050,392.00	2,960,000.00
Third year	5,045,687.04	4,856,450.00	0.00	3,095,450.00	2,975,000.00

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	2018	Volunteer	2019	2019
Average total cost percentage increase	1.5%	%	1.5%	1.5%
Last contract settlement date	11/23/2015	NA	12/12/2015	
Contract expiration date	12/31/2018	NA	12/31/2019	

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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)				
Wage Freezes (describe below)				
Layoffs (describe below)				

D. Tax Enforcement Practices:

Question	Yes	No
1. Did the municipality complete its accelerated tax sale by December 31, if included in 2018 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. Conventional Sale March 20, 2019		X
2. When was the last foreclosure action taken or tax assignment sale held: Date:	May 6, 2019	
3. On what dates were tax delinquency notices sent out in 2018: Date:	3/11, 5/11, 12	
4. Date of last tax sale: Date:	Mar. 20, 2019	

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:

2017	\$0	2018	\$1,443.56	Anticipated Application Year:	\$0
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2. List the instruments in which idle funds are invested:

Bank Accounts	

3. What was the average return on investments during 2018?

%

4. Left Blank Intentionally

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

Bowman and Company, LLP

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	12/31/18	PERC Mediation
Blue Collar's	12/31/2019	No Activity
Crossing Guards		First contract, not settled..

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	2018 PILOT Billing	2019 Assessed Value	2019 Taxes If Billed in Full at 2018 Total Tax Rate	Term of Tax Abatement
Harvest Point Block 106 lot 3	Affordable Housing	\$375,954	\$11,050,000	763,997.00	30 years
Senior Village Block 57 Lot 15	Sr. Citizen Housing	\$16,500	\$6077,500	420,198.35	30 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 type="checkbox"/>			
Sewer Fees	<input checked="" type="checkbox"/>	YES		
Water Fees	<input checked="" type="checkbox"/>	NO, not this year	\$183,000	Working on collection procedures(Shut Offs) and Meter reading improvements.
Swimming Pool	<input checked="" type="checkbox"/>	NO	\$5,000	School District and Public donations offset most costs.
Uniform Construction Code	<input type="checkbox"/>	State = No Charge		
Uniform Fire Code	<input type="checkbox"/>	State		
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input checked="" type="checkbox"/>	Meters		
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			
Land Use Escrow ouse staff	<input type="checkbox"/>			
Land Use Escrow fees for independent contractors	<input type="checkbox"/>			
Trash Removal	<input checked="" type="checkbox"/>	Yes	\$80,000	Trash Stickers are sold at \$1 per 33 gallon bag
Abandoned Property Registration	<input checked="" type="checkbox"/>	Yes		Future Systems \$47 per year.

Section XI – Impact of Limited or No Aid Award

Describe in detail the impact if aid is not granted for the current fiscal year. Essential services needs should be given priority. 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 will make absent a grant of aid.**

Rank Order	Department	# of Layoffs	Effective Date	2018 Full Time Staffing	2019 Full Time Staffing	\$ Amount to be Saved
	Street Department Saturday Hours		Sept 1	1/2		\$6,000
	Recycling Center					

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	\$5,000	Pool will have reduced hours.
2	Library Contribution	\$28,000	Reduce contribution to Statutory requirement \$46,700

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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 2018 MOU and is operating in good faith to correct those area of noncompliance that have been identified.

Mayor: *Charles West* Date: 5-20-18
 Chief Financial Officer: *[Signature]* Date: 5-23-18
 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: *Loretta Kompos* Date: 5/23/18
 Chief Administrative Officer: _____ Date: _____

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XV. CERTIFICATION OF APPLICATION FOR TRANSITIONAL AID

The undersigned acknowledges the municipality must comply with the foregoing requirements to receive Transitional Aid. In addition, included with this application is a copy (printed or electronic) of the budget documentation supporting the budget calculation that was provided to the governing body.

Mayor:  Date: 5-20-19

Chief Financial Officer:  Date: 5-23-19

Chief Administrative Officer: _____ Date: _____

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

Salem City is facing a financial crisis for CY 2018, with the following being the main contributors to the problem:

The City's request for 2019 is 1,430,000 based on the following reasons:

- ◆ City Received \$1,400,000 last year and our fiscal condition is as bad or worse than last year.
- ◆ The 2019 Water and Sewer Budget has an anticipated deficit revenue from the current fund in the amount of \$183,000
- ◆ Estimated \$100,000 deficit for Finlaw Building operations.
- ◆ City is attempting to implement the State Resource Network (SRN) recommendation of establishing a "Senior Management Team".
- ◆ Despite the City's best efforts, the Tax collection rate fell from 80.64% to 77.67, a 25 year low. The City's largest ratable, the abandoned glass plant, ceased paying taxes in May 2018.

As detailed below.

A. Salem has Suffered a drastic Reduction in Tax Assessed Valuation.

The Salem County Board of Taxation ordered the City to complete a city wide property revaluation to be used for 2017. The City's ratio at the time was 150%. The City authorized in 2016 a Special Emergency Authorization (5 Years NJSA 40A4-55) in the amount of \$320,000. The second principal payment of \$64,000 and Interest \$4,352 is appropriated in this year's budget.

The revaluation resulted in City's grant total of assessed value \$213,291,196 plummeting to \$123,956,510, a decrease of \$89,334,686. The City's total tax rate increased from \$3.916 to an estimated \$6.845, (Pre budget). The average residential property value dropped from \$95,383 to \$45,740. The revaluation company stated that the revaluation was completed with 60% non-usable sales, the highest amount they have ever encountered.

The ten year loss in net valuation taxable is **\$110,235,165**
(\$234,024,000 [2012] minus 123,7889,835[2019])

B. Salem City's Economy is weak.

Salem City resident's Median Household Income equals \$27,047. The poverty rate is an elevated 39.6% -Moody's report. Unemployment is currently at 29.4%.

Salem City (Wildwood, Camden & Atlantic City) had the highest percentage of residents making less than \$20,000 per year who paid more than 30 percent of their income for housing costs. - NJ.com Dec. 12, 2016

City population has declined 27% in the last 20 years.

Existing Municipal Revitalization Index Update (MRI): **Salem City ranked #1** which means the most distressed community.

Before the update, 2017 Municipal Revitalization Index: **Salem City ranked #2.**

c. City's Collection Rate has fallen to 77.67%

The City's collection rate fell 10.46% (2018 77.67% minus 2014 88.13%) since 2014. The City passed a resolution to authorize the use of the 3 year average not to exceed 81.84%, but chose to use 81.25% in the calculation of the Reserve for Uncollected Taxes. 81.25% 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.

The City's largest ratable owner, the former Anchor Glass plant did not pay three quarters of their 2018 taxes. The property went to tax sale on March 20, 2019 but a lien was not sold and was struck off to the City. The amount to redeem the lien (amount due the City) as of May 24 is \$581,864.95 The City commenced an In Rem Tax foreclosure on this abandoned property on May 6, 2019.

d. The Water and Sewer Utility is under extreme financial stress.

The Water and Sewer utility realized 288,568 less in revenue than what was budgeted. The Utility has over the last 3 years been billing minimum charges because the meter reading system has not been recording accurate reads. This has resulted in loss water revenue. The last water shut off procedure did not produce many payments as in years past.

Both the Water and Sewer Superintendents retired within 4 months of each other in 2018. The Water Superintendent's retirement was not expected. Due to the loss of both licensed operators, DEP ordered that the City take immediate action to cover the plant with the necessary licenses - under threat of fine and even seizure of the plant. In order to comply with the DEP order, the City contracted with a consultant for \$207,000 a year. The City hired a public works director with the proper water licensees however he has been unable to hire an individual with the proper wastewater (sewer) license. The City will have to continue to use the consultant after May on a month to month basis until the license person is found at a cost of 16,000 per month.

e. 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 (March 14, 2018 - copy attached) Salem's outlook remains negative. The Moody's report states – “the Ba3 underlying rating reflects the extremely high leverage caused by the City's large and probably unaffordable guaranty of debt issued to fund an office building project. The rating also reflects the limited tax base and weak resident wealth and income”

Finally, numerous articles have listed Salem as within the top 20 municipalities in the US likely to become bankrupt.

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 2019 Budget is \$75,000 however appropriations since CY 2012 have totaled \$660,000 almost 52 cents added to the tax rate. As the building gets older, maintenance costs are rising. For example, under the lease terms the building's interior must be painted every 3 years. The low bid from Certa Pros to

paint the building this year was \$55,000. Carpet will need to be replaced in 2020. 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.

F. Reserve for Uncollected Taxes

- Utilized 3 year average collection percentage by resolution, used 81.25
- If the actual 2018 collection percentage of 77.67 was used, the RUT in the 2019 introduced budget would have been \$2,100,766, which would be \$414,523 higher than the \$1,686,243 that was used.

G. Establishing a “Senior Management Team”

The City’s Business Administrator resigned in March of 2019. The City’s acting clerk could not pass her first certification class. The CMFO / CTC who has been with the City 26 years is retiring in January of 2020. This was recommended by the State Nation Resource study completed in December 2018. See attached.

Attachment B: V-C. Actions to Reduce Future Need for Aid

A. Economic Development

The City is taking an aggressive approach to gain fiscal recovery and economic revitalization, which it believes is the only way towards sustainable financial stability and quality of life for its community. To stimulate the economy the City began investing in economic development to capitalize on its assets. This includes investing in strategies using the city's Commerce Department and Brownfield Development Area Steering Committee (BDA). The Commerce Department and BDA Committee have completed its *Waterfront Redevelopment Zone Plan*, established a *Neighborhood Transformation Initiative*, and is collaborating with the County of Salem to revitalize the railroad. In addition, the City is actively marketing its resources and working with individual investors and government organizations to provide incentives for labor, energy, and taxes to those businesses locating in New Jersey. The mayor has been interviewed with Comcast Newsmakers and Latin Motion to market the Port area and NTI program. The City has secured a new firm, Empire Blended, which is establishing approximately 130 new jobs when it opens in the late spring of 2018. In addition, the brownfield area of the Ardagh plant recently sold and three separate companies are interested in securing space at the location, which may create an additional 400 jobs by the end of 2019. The city continues to provide site visits to its 400 acres of property to businesses and developers. The City has been experiencing increased interest in the properties and provides site tours every week.

The City was recently designated an *Opportunity Zone* by the Governor, which will allow for capital gain incentives to investors and was one of only 13 communities awarded the *State Resource Network (SRN)* grant by Commissioner Oliver for economic development technical assistance, including a financial recovery plan and economic development strategy.

In addition, the City has re-established a *Mayor's Task Force* to address the closed supermarket (Incollingos) and through a collaboration with Stand Up for Salem was able to secure a grant through *Salem Health and Wellness* to perform a feasibility study for a supermarket. This is the first step in attracting new investors. The City's established NTI program (Neighborhood Transformation Initiative) is a partnership with the *USDA* to increase homeownership in Salem. The initiative allows for Low/Moderate income households to receive loans at 0% down payment, 1% interest, up to 38- year mortgages. In addition, the City is looking into a possible partnership with NACA (Neighborhood Assistance Corporation of America) for similar homeownership incentives and help for people facing foreclosure.

The City continues to Collaborate with Stand Up for Salem, Salem County, Salem County Community College, the State of New Jersey, State of New Jersey Department of Labor, and the South Jersey Transportation Planning Organization, United States Department of Agriculture (USDA).

B: Plan to constrain or reduce staffing costs.

The City has eliminated staff in all departments throughout the last 4 years through attrition. In 2017 when the paid municipal alliance coordinator resigned, the City absorbed the duties with current staff. The City settled its two major contracts Blue Collars and FOP just before reentering the TA program 3 years ago. When these contracts expire in 2018 and 2019, the City will aggressively negotiate to lower or stabilize costs. Non-Union employees have not received salary increases in 5 years.

The City negotiated with the South Jersey Port Authority to move its one staff member into City

facilities, as a shared service, eliminating \$15,000 in rent expense that is now applied to the City's budget for marketing of the Port.

The City is working with the Salem/Cumberland County Animal control and shelter committee to find alternatives to the SPCA, which substantially increased its costs from 2017.

C: Plan to eliminate , reduce or constrain the costs of non-essential services.

The City eliminated the recreation program at the JB Campbell Community center due to decreased participation. The contract at the center was at a cost of \$20,000. The City is recruiting a licensed wastewater operator so it can terminate the expensive consulting contract.

D: Plan to maximize recurring revenues.

The City instituted an abandoned property Ordinance two years ago. This year the fee increases from \$1,000 to \$1,500.

The most significant deficiency in City revenue is within its water sewer fund. To maintain a self-liquidating fund the city reduced staff and operational expenses and deferred capital improvements to the point that the reductions have become unsustainable. The City will need to increase staffing and address some major maintenance and replacement costs in capital. To prevent non-compliance, plant failure and insolvency the city plans to initiate: hiring appropriated licensed employees with a slight staff increase to address overtime and employee fatigue, apply for NJEIT funds to replace the inaccurate water meter system and bill correctly, create a capital plan to replace failing equipment (studies by both Sickels and Remington and Vernick were done and Remington and Vernick will continue giving monthly reports), and conduct an analysis of the water facility to determine more efficient means of water filtration. In addition, the City is in the process of litigation with GE to recoup some of the cost of the plant, which may help in the needed updates.

City is contracting with the City's auditing firm to complete a rate study for water and sewer fees. This is to ensure that fees are adequate to maintain the utilities operations with a positive cash flow, therefore avoiding a deficit that would have to be raised in the taxpayer's budget.

The City is applying for a NJEIT loan to purchase new radio read meters. This will provide more accurate readings and hopefully recover lost revenue. Also with more efficient readings the City will change to monthly billings to improve cash flow. In the meantime, the City's new Public Works director has allocated manpower to manually read each meter to get accurate readings.

The City passed In Rem Tax Foreclosure resolutions on May 6, 2019 (13 Properties totaling \$979,624 in unpaid charges) and November 19, 2018 (30 Properties totaling \$1,338,023 in unpaid charges). One of the properties being foreclosed on is the old glassplant, the City's largest ratable. The City should have final judgement for the November 19 list by the end of June. The City hired special labor counsel Keith Bonchi to execute these and all future In Rem foreclosures. Mr. Bonchi is the counsel to the NJ Tax Collectors Association and an expert in In Rem tax foreclosures in New Jersey. At the end of 2017 the City held Tax Title Liens equaled 319, totaling a total delinquency of \$4,773,489. Redemption of these liens is a direct increase to the City's surplus. Properties obtained through final judgement can be sold for revenue.

The new Director of Public works has implanted a process to obtain actual meter readings and bill accordingly. This would reduce the number of accounts being billed minimal charges. The City this June is implementing an aggressive shut off procedure, any account 30days behind in paying, will be shut off and charged a turn on fee.

E: A Plan to address findings contained in various audits.

A letter was sent this year to the Division of Local Government Services addressing a corrective action plan to address repeat audit findings.

Trust Other funds; TTL reserve: New process has been implemented. All deposits will be recorded in a Ledger with dates of receipt and disbursement and balance by certification number. Internal controls are being created to address timing issues of lien holder notification for certificates. The City is posting a Request for Qualifications to hire an attorney to investigate all liens that have passed to bankruptcy.

Liens ledger: The 2017 Annual Financial Statement has been completed. The auditor has identified the liens to be removed and worked with the CFO to reconcile the ledger.

General Ledger: The 2017 Annual Financial Statement has been completed. We started with firm 2018 beginning balances and continue to maintain revenue in Edmunds and post the clearing account entries. The Auditor continues to provide guidance.

Other: Bank Reconciliations and Health benefit Payments have been made current.

May 15, 2019
08:50 AM

CITY OF SALEM
Lien Redemption Work Sheet - Certificate: 18-00002

Certificate: 18-00002	Owner: 83 GRIFFITH LLC	Type of Lien: Municipal
Prop Loc: GRIFFITH ST	Address: 917 MAIN STREET 201	Interest Rate: 18.00
	HOUSTON TX 77002	Apr 2: N
		Premium: 0.00

Block/Lot/Qual: 3. 23.
Sale Date: 03/20/19
Redemption Calculation Date: 05/24/19
Include Current Charges: Y

TAX SALE CERTIFICATE:

Balance Type	Principal	Interest	Total
Tax	290,734.74	32,662.67	323,397.41
Water	22,858.32	1,561.98	24,420.30
Sewer	369.28	13.69	382.97
Total:	313,962.34	34,238.34	348,200.68

Cost: 100.00
Total Certificate: 348,300.68
#Days: 64 Per Diem: 174.150340 Int on Cert: 11,145.62
Redemption Penalty (6.00 %): 20,898.04
Total: 380,344.34

SUBSEQUENT CHARGES:

Balance Type	Year Prd	Date	Prin/Penalty	Interest Rate	Per Diem	#Days	Interest	Total
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BALANCE TYPE SUMMARY:

	Certificate Total & Subseq. Prin/Penalty	Interest	Total
Certificate Tax	323,397.41	10,348.72	333,746.13
Total Tax	323,397.41	10,348.72	333,746.13
Certificate Water	24,420.30	781.45	25,201.75
Total Water	24,420.30	781.45	25,201.75
Certificate Sewer	382.97	12.26	395.23
Total Sewer	382.97	12.26	395.23
Certificate Cost	100.00	3.19	103.19

LIEN REDEMPTION:

Principal: 348,300.68
Redemption Penalty (6.00 %): 20,898.04
Interest: 11,145.62
Recording Fees: 12.00
TOTAL REDEMPTION: 380,356.34
Total Per Diem: 174.150340

(Note: Current Charges must be met on Municipal Liens.)

Balance Type	Year	Prd	Date	Prin/Penalty	Interest	Total
CURRENT CHARGES:						
Taxes	2019	1	02/01/19	90,227.70	5,097.87	95,325.57
Taxes	2019	2	05/01/19	<u>90,227.70</u>	<u>1,037.62</u>	<u>91,265.32</u>
TOTAL TAXES				180,455.40	6,135.49	186,590.89
Sewer	2018	10	01/22/19	46.16	1.25	47.41
Sewer	2018	11	01/23/19	46.16	1.24	47.40
Sewer	2018	12	03/01/19	46.16	0.85	47.01
Sewer	2019	1	03/26/19	46.16	0.59	46.75
Sewer	2019	2	05/22/19	<u>46.16</u>	<u>0.00</u>	<u>46.16</u>
TOTAL SEWER				230.80	3.93	234.73
Water	2018	10	01/22/19	952.43	25.82	978.25
Water	2018	11	01/23/19	952.43	39.21	991.64
Water	2018	12	03/01/19	952.43	39.53	991.96
Water	2019	1	03/26/19	952.43	27.62	980.05
Water	2019	2	05/22/19	952.43	0.00	952.43
Water	2018	10	01/22/19	952.43	25.82	978.25
Water	2018	11	01/23/19	952.43	39.21	991.64
Water	2018	12	03/01/19	952.43	39.53	991.96
Water	2019	1	03/26/19	952.43	27.62	980.05
Water	2019	2	05/22/19	952.43	0.00	952.43
Water	2018	10	01/22/19	952.43	25.82	978.25
Water	2018	11	01/23/19	952.43	39.21	991.64
Water	2018	12	03/01/19	952.43	39.53	991.96
Water	2019	1	03/26/19	952.43	27.62	980.05
Water	2019	2	05/22/19	<u>952.43</u>	<u>0.00</u>	<u>952.43</u>
TOTAL WATER				14,286.45	396.54	14,682.99
TOTAL CURRENT CHARGES				194,972.65	6,535.96	201,508.61
LIEN REDEMPTION + CURRENT CHARGES:						
Principal				543,273.33		
Interest				17,681.58		
Redemption Penalty				20,898.04		
Recording Fees				12.00		
Other Charges				0.00		
TOTAL DUE				581,864.95		

What Salem Can Do:

Improve Operational Sustainability

- As part of an overall strategy to move the City forward, Salem needs to build and maintain a strong senior management team to enact the strategies to achieve fiscal sustainability outlined in this Plan.
 - This team will carry out the plan as established by the Mayor and Council, and ensure continuity of operations between elections.
- While strengthening Salem's core capacity will require the support of partners, there are a number of actions that Salem can take on its own:
 - Hire a Municipal Clerk that meets State statutory requirements.
 - Plan for and hire CFO and Tax Collector successor(s), ensuring opportunity and timeline for knowledge transfer.
 - Hire a Economic and Planning (Commerce) Director or hire a Business Administrator that can allocate a portion of their time to economic development.
 - Update the ordinance for the Business Administrator position.

Note 3: PROPERTY TAXES (CONT'D)

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2017 R	\$ 123,956,510.00
2016	215,567,834.00
2015	223,962,313.00
2014	231,225,330.00
2013	231,331,758.00

R = Revaluation

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2017	\$ 8,611,082.52	\$ 6,943,571.80	80.64%
2016	8,475,936.47	6,925,769.53	81.71%
2015	8,659,607.59	7,202,345.45	83.17%
2014	8,961,039.73	7,897,169.96	88.13%
2013	8,860,500.47	7,739,778.82	87.35%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$ 3,466,168.88	\$ 1,307,320.41	\$ 4,773,489.29	55.43%
2016	2,750,683.64	1,011,732.57	3,762,416.21	44.39%
2015	1,874,685.03	1,158,002.39	3,032,687.42	35.02%
2014	1,770,039.15	816,842.10	2,586,881.25	28.87%
2013	1,241,282.54	985,282.69	2,226,565.23	25.13%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2017	319
2016	386
2015	213
2014	224
2013	199

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	3,251,000.00
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	2,966,000.00
2015	92,522.50	165,000.00	2,835,000.00	2015	3,111.25	131,000.00	131,000.00	2015	95,633.75	296,000.00	2,670,000.00
2016	86,828.46	215,000.00	2,455,000.00	2016	-	-	-	2016	86,828.46	215,000.00	2,455,000.00
2017	80,242.57	225,000.00	2,230,000.00	2017	-	-	-	2017	80,242.57	225,000.00	2,230,000.00
2018	73,382.28	235,000.00	1,995,000.00	2018	-	-	-	2018	73,382.28	235,000.00	1,995,000.00
2019	66,247.57	245,000.00	1,750,000.00	2019	-	-	-	2019	66,247.57	245,000.00	1,750,000.00
2020	58,907.06	250,000.00	1,500,000.00	2020	-	-	-	2020	58,907.06	250,000.00	1,500,000.00
2021	51,497.94	250,000.00	1,250,000.00	2021	-	-	-	2021	51,497.94	250,000.00	1,250,000.00
2022	44,020.22	250,000.00	1,000,000.00	2022	-	-	-	2022	44,020.22	250,000.00	1,000,000.00
2023	35,216.18	250,000.00	750,000.00	2023	-	-	-	2023	35,216.18	250,000.00	750,000.00
2024	25,154.41	250,000.00	500,000.00	2024	-	-	-	2024	25,154.41	250,000.00	500,000.00
2025	15,092.65	250,000.00	250,000.00	2025	-	-	-	2025	15,092.65	250,000.00	250,000.00
2026	5,030.88	250,000.00	-	2026	-	-	-	2026	5,030.88	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

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's affirms Salem, NJ's Ba3 GOULT rating; outlook remains negative

Global Credit Research - 14 Mar 2018

New York, March 14, 2018 -- Moody's Investors Service has affirmed the Ba3 underlying rating on the City of Salem, New Jersey's outstanding GOULT debt. Concurrently, we have affirmed the Baa1 MQP enhanced rating on certain series of rated debt. The underlying outlook remains negative and the enhanced outlook remains stable.

RATINGS RATIONALE

The Ba3 underlying rating reflects the extremely high leverage caused by the city's

large and probably unaffordable guaranty for debt issued to fund an office building project. The rating also reflects limited tax base and weak resident wealth and income.

The Baa1 enhanced rating reflects the enhancement provided by the MQP, a state aid intercept program, and is notched once off the State of New Jersey's (A3 stable) rating. Coverage on the enhanced debt by state aid is more than sum sufficient.

RATING OUTLOOK

The negative underlying outlook reflects the lack of progress in restructuring the guaranteed project in a way which would render it self-supporting. The outlook also reflects the material decline in population and tax base.

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

FACTORS THAT COULD LEAD TO AN UPGRADE/REMOVAL OF THE 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 resident wealth and income

FACTORS THAT COULD LEAD TO A DOWNGRADE

Deterioration in Current Fund balance and/or cash reserves

Material declines in the tax base or resident wealth and income

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

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 Program.

PROFILE

Salem is the county seat of Salem County (A1 negative). 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 December 2016. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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MOODY'S
INVESTORS SERVICE

CREDIT OPINION

14 March 2018

Rate this Research


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Salem (City of) NJ

Update to credit analysis

Summary

Despite its apparently adequate finances, the City of Salem (Ba3 negative) faces a long-term liability it likely cannot afford. Salem has provided a large guaranty for debt issued to fund an office building 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 city also suffers from a very weak tax base and demographic profile.

Much of the city's debt is enhanced by 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 one off of the State of New Jersey's (A3 stable) rating.

Credit strengths

- » Demonstrated willingness to honor GO guaranty

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 the lack of progress in restructuring the guaranteed project in a way which would render it self-supporting. The outlook also reflects the material decline in population and tax base.

The stable outlook assigned to the enhanced qualified bond ratings is directly linked to the state's stable 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 resident wealth and income

Factors that could lead to a downgrade

- » Deterioration in Current Fund balance and/or cash reserves
- » Material declines in the tax base or resident wealth and income
- » 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	2012	2013	2014	2015	2016
Economy/Tax Base					
Total Full Value (\$000)	\$234,024	\$214,060	\$182,725	\$149,496	\$149,598
Population	5,195	5,111	5,045	4,997	4,997
Full Value Per Capita	\$45,048	\$41,882	\$36,219	\$29,917	\$29,937
Median Family Income (% of US Median)	61.7%	46.5%	49.2%	50.4%	50.4%
Finances					
Operating Revenue (\$000)	\$7,431	\$7,432	\$7,111	\$6,628	\$7,335
Fund Balance (\$000)	\$2,777	\$3,006	\$2,197	\$1,742	\$1,783
Cash Balance (\$000)	\$1,292	\$1,923	\$1,817	\$1,134	\$1,054
Fund Balance as a % of Revenues	37.4%	40.5%	30.9%	26.3%	24.3%
Cash Balance as a % of Revenues	17.4%	25.9%	25.6%	17.1%	14.4%
Debt/Pensions					
Net Direct Debt (\$000)	\$33,852	\$26,124	\$32,795	\$31,768	\$21,225
3-Year Average of Moody's ANPL (\$000)	\$10,991	\$12,627	\$14,711	\$16,782	\$17,562
Net Direct Debt / Operating Revenues (x)	4.6x	3.5x	4.6x	4.8x	2.9x
Net Direct Debt / Full Value (%)	14.5%	12.2%	17.9%	21.3%	14.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.5x	1.7x	2.1x	2.5x	2.4x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	4.7%	5.9%	8.1%	11.2%	11.7%

The fund balances in the above table reflects the Moody's-adjusted fund balance

Sources: Moody's Investors Service and Salem audited financial statements

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.

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's.com for the most updated credit rating action information and rating history.

Detailed credit considerations

Economy: Limited tax base with weak wealth

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 negative). Resident wealth and income indicators in the \$132.9 million tax base are well below-average, with a median family income equal to 50.4% of the nation. The poverty rate is an elevated 39.6%. The five-year compound annual decrease in equalized value is 10.7% and accelerating. Management reports an ongoing economic development effort. Notable projects include the updating of various commercial properties and a partnership with the USDA to assist potential homeowners to get affordable mortgages.

Previously, the city suffered heavily from tax appeals (and issued debt to pay for them), however, a recently completed revaluation has helped materially by largely eliminating tax appeals.

Finances and Liquidity: Adequate finances with high reliance on state aid

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 increased in 2016 to \$423,000, or 5.8% of Current Fund revenues, from \$72,000, or 1.1% of revenues in 2015. 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 increased slightly to \$1.8 million (24.3%) in 2016 from \$1.7 million (16.3%) in 2015. 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 \$1.5 million, or 20.2% of revenues.

Although the 2017 audit is not yet available, preliminary 2017 numbers, show reported fund balance increasing to approximately \$700,000.

The city is highly dependent on state aid. Only 49.3% of revenues are derived from property taxes (very low for New Jersey) with another 34.4% coming from state aid; 42% of state aid comes from transitional aid, a form of aid provided to distressed municipalities at the discretion of the state's Department of Community Affairs (DCA).

LIQUIDITY

The city's liquidity remains adequate. Fiscal 2016 ended with \$1.1 million in cash, or 14.4% of revenues.

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 14.2% of equalized value. Included in the debt burden is the entire \$18.8 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 lease on the office space 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.

Despite recent lease and expenditure adjustments at the office building, the revenue associated with the signed leases is still insufficient to cover debt service. Since 2011, the debt service reserve fund has not been tapped. Instead, the city makes annual appropriations to cover the debt service shortfall. Favorably, the city has a history of overbudgeting for the cost and is using the excess to build a reserve, now equal to \$224,513.

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, signed a 20-year lease while the bonds amortize over 30 years, leaving funding uncertainties in the out years.

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 55% of the 2016 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 \$18.9 million, or an above-average 2.58 times Current Fund revenues. The township's 2016 contribution to the retirement system was \$511,000 for the combined Police and Firemen's Retirement System (PFRS) and 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

Governance

Salem's management is well aware of the implications of its guarantees. It meets regularly with the county and state and is actively looking for a solution, as yet, with no success.

New Jersey Cities have an Institutional Framework score of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources are subject to a cap which can be overridden with voter approval only. However, the cap of 2% still allows for moderate revenue-raising ability and excludes debt service, pensions, and certain health care costs. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually. The State has public sector unions, which can limit the ability to cut expenditures.

GENERAL GOVERNMENT		2018 Budget	Transfers	Reimb.	2018 Final	Disbursed	Balance Reserved	Proposed 2019	Difference	Committee
General Administration		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-100-001	71,100.00	(50,000.00)	0.00	21,100.00	0.00	21,100.00	71,100.00	0.00	Sch 1
Other Expenses	20-100-002	42,125.00	6,400.00	0.00	48,525.00	45,187.00	3,338.00	3,000.00	(39,125.00)	39 k for SRN Study
Mayor & Council		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-110-010	55,000.00	0.00	0.00	55,000.00	54,977.52	22.48	55,000.00	0.00	Admin
Other Expenses	20-110-020	28,000.00	6,000.00	0.00	34,000.00	32,486.49	1,513.51	28,000.00	0.00	Admin
Municipal Clerk		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-120-010	85,594.00	29,000.00	0.00	114,594.00	112,510.57	2,083.43	85,594.00	0.00	Sch 2
Other Expenses	20-120-020	28,530.00	(2,000.00)	0.00	26,530.00	25,396.47	1,133.53	28,530.00	0.00	Admin
Financial Administration		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-130-011	73,495.00	(6,000.00)	0.00	67,495.00	63,557.97	3,937.03	73,812.00	317.00	Sch 3
Other Expenses	20-130-020	16,020.00	500.00	0.00	16,520.00	16,004.85	515.15	16,020.00	0.00	Admin
Audit Services		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Other Expenses	20-135-020	45,000.00	0.00	0.00	45,000.00	44,906.16	93.84	45,000.00	0.00	Admin
Tax Collection		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-145-011	39,325.00	0.00	0.00	39,325.00	35,708.21	3,616.79	39,325.00	0.00	Sch 4
Other Expenses	20-145-020	7,850.00	6,800.00	0.00	14,650.00	14,566.05	93.95	7,850.00	0.00	Admin
Tax Assessment		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-150-011	23,882.00	0.00	0.00	23,882.00	23,282.07	599.93	23,882.00	0.00	Sch 5
Other Expenses	20-150-020	9,000.00	0.00	0.00	9,000.00	6,476.88	2,523.12	9,000.00	0.00	Admin
Legal Services		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Other Expenses	20-155-020	78,970.00	35,000.00	0.00	113,970.00	112,302.67	1,667.33	78,970.00	0.00	xxxxxx
In Rem Foreclosures	20-155-020	55,000.00	(30,000.00)	0.00	25,000.00	14,545.00	10,455.00	55,000.00	0.00	xxxxxx
Engineering Services	20-165-222	212,000.00	0.00	0.00	212,000.00	210,000.00	2,000.00	12,000.00	(200,000.00)	xxxxxx
Economic Development		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-170-011	6,000.00	(6,000.00)	0.00	0.00	0.00	0.00	6,000.00	0.00	Admin
Other Expenses	20-170-020	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	21-180-020	24,000.00	0.00	0.00	24,000.00	23,504.40	495.60	24,000.00	0.00	Redev.
CODE ENFORCEMENT:										
Housing Inspections & Permits		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	22-200-000	50,119.00	0.00	0.00	50,119.00	48,748.04	1,370.96	52,848.00	2,729.00	Sch 6
Other Expenses	22-200-000	45,500.00	19,000.00	0.00	64,500.00	59,929.56	4,570.44	52,500.00	7,000.00	Accola program

Year 2019 Budget Worksheet - Salem City

		2018 Budget	Transfers	Reimb.	2018 Final	Disbursed	Balance Reserved	Proposed 2019	Difference	Committee
INSURANCE:										
Unemployment & Disability	36-476-000	2,250.00	0.00	0.00	2,250.00	864.27	1,385.73	2,250.00	0.00	
PUBLIC SAFETY FUNCTIONS:										
Police Department										
Salary & Wages	25-240-011	1,732,000.00	0.00	0.00	1,732,000.00	1,694,185.82	37,814.18	1,757,980.00	25,980.00	Public Safety
Other Expenses	25-240-020	78,000.00	0.00	0.00	78,000.00	77,551.30	448.70	78,000.00	0.00	Public Safety
Office of Emergency Management										
Salary & Wages	25-252-011	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	25-260-022	10,000.00	0.00	0.00	10,000.00	9,496.64	503.36	10,000.00	0.00	Public Safety
Fire Department	25-265-020	45,000.00	18,000.00	0.00	63,000.00	56,995.58	6,004.42	45,000.00	0.00	Public Safety
PUBLIC WORKS:										
Streets and Roads Maintenance										
Salary & Wages	26-290-011	362,369.00	16,000.00	0.00	378,369.00	371,589.91	6,779.09	362,369.00	0.00	Sch 7
Other Expenses	26-290-020	30,000.00	0.00	0.00	30,000.00	23,661.55	6,338.45	30,000.00	0.00	Public Works
Street Cleaning										
Salary & Wages	26-302-011	52,997.00	8,500.00	0.00	61,497.00	61,374.21	122.79	52,997.00	0.00	Sch 7
Other Expenses	26-302-020	700.00	0.00	0.00	700.00	214.50	485.50	700.00	0.00	Public Works
Buildings and Grounds										
Other Expenses	26-310-020	70,000.00	0.00	0.00	70,000.00	69,249.67	750.33	70,000.00	0.00	City Property
Demolition of Substandard Buildings										
Other Expenses		20,000.00	0.00	0.00	20,000.00	8,100.00	11,900.00	20,000.00	0.00	
Vehicle Maintenance	26-315-020	30,675.00	0.00	0.00	30,675.00	30,567.35	107.65	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
Animal Control Services	27-340-022	22,600.00	0.00	0.00	22,600.00	22,600.00	0.00	22,600.00	0.00	Human Services
PARK & RECREATION :										
Recreation & Parks										
Other Expenses	28-370-020	20,000.00	(20,000.00)	0.00	0.00	0.00	0.00	20,000.00	0.00	Community Ser
INSURANCE:										
Liability	23-210-022	283,538.00	0.00	0.00	283,538.00	283,538.00	0.00	283,538.00	0.00	
Workers Compensation	23-215-022	121,517.00	0.00	0.00	121,517.00	121,516.60	0.40	121,517.00	0.00	
Employee Group	23-220-022	1,367,500.00	0.00	0.00	1,367,500.00	1,119,664.59	247,835.41	1,435,875.00	68,375.00	

Year 2019 Budget Worksheet - Salem City

		2018 Budget	Transfers	Reimb.	2018 Final	Disbursed	Balance Reserved	Proposed 2019	Difference	Committee
MUNICIPAL COURT:										
Salaries and Wages	43-490-011	95,000.00	(18,000.00)	0.00	77,000.00	73,352.07	3,647.93	95,000.00	0.00	Admin.
Other Expenses	43-490-022	17,000.00	5,300.00	0.00	22,300.00	20,739.04	1,560.96	17,000.00	0.00	Admin
Public Defender	43-495-022	9,730.00	800.00	0.00	10,530.00	10,440.40	89.60	9,730.00	0.00	Admin
UTILITY & BULK PURCHASES:										
Electricity	31-430-022	103,000.00	500.00	0.00	103,500.00	103,373.73	126.27	103,000.00	0.00	
Street Lighting	31-435-022	120,000.00	7,000.00	0.00	127,000.00	126,976.91	23.09	120,000.00	0.00	
Telephone	31-440-022	74,000.00	(3,000.00)	0.00	71,000.00	70,990.89	9.11	74,000.00	0.00	
Natural Gas	31-446-022	13,755.00	2,500.00	0.00	16,255.00	15,983.17	271.83	13,755.00	0.00	
Heating Oil	31-447-022	25,000.00	(8,400.00)	0.00	16,600.00	14,532.33	2,067.67	25,000.00	0.00	
Gasoline	31-460-022	58,000.00	(17,000.00)	0.00	41,000.00	40,301.61	698.39	58,000.00	0.00	
LANDFILL WASTE DISPOSAL:										
Sanitary Landfill										
Salary & Wages	32-465-011	2,400.00	0.00	0.00	2,400.00	1,045.84	1,354.16	2,400.00	0.00	
Other Expenses	32-465-020	83,600.00	13,000.00	0.00	96,600.00	96,597.52	2.48	115,000.00	31,400.00	Contact Increase Low Bid
STATUTORY EXPENDITURES:										
Social Security	36-472-022	169,000.00	(12,900.00)	0.00	156,100.00	149,626.15	6,473.85	169,000.00	0.00	
Poice Dispatch County of Salem	42-702-101	129,010.00	0.00	0.00	129,010.00	129,010.00	0.00	129,010.00	0.00	
Aid to Library (NUSA 40:54-35)	29-330-022	71,500.00	0.00	0.00	71,500.00	71,500.00	0.00	71,500.00	0.00	
FEDERAL AND STATE GRANTS:										
Garbage and Trash Collection		214,860.93	0.00	0.00	214,860.93	214,860.93	0.00	6,856.37	(208,004.56)	no grants in 2019 yet
Other Expenses		82,063.00	0.00	0.00	82,063.00	82,019.53	43.47	82,063.00	0.00	
Capital Improvement Fund	44-900-022	10,000.00	0.00	0.00	10,000.00	10,000.00	0.00	20,933.00	10,933.00	NETS #1

Year 2019 Budget Worksheet - Salem City

	2018 Budget	Transfers	Reimb.	2018 Final	Disbursed	Balance Reserved	Proposed 2019	Difference	Committee
Municipal Debt Service:									
Bond Principal	45-920-022	0.00	0.00	235,000.00	235,000.00	0.00	245,000.00	10,000.00	NETS #1
Bond Interest	45-930-022	0.00	0.00	73,400.00	73,382.28	17.72	66,250.00	(7,150.00)	NETS #1
Deferred Charge		0.00	0.00	22,900.00	22,900.00	0.00	8,494.70	(14,405.30)	NETS #1
Sinking Fund - Finlaw Debt Service		0.00	0.00	100,000.00	100,000.00	0.00	75,000.00	(25,000.00)	
Overexpenditures		0.00	0.00	25,427.05	25,427.05	0.00	22,168.16	(3,258.89)	revenue reduced also
Transfer to Bd of Education	48-900-022	0.00	0.00	16,551.00	16,551.00	0.00	16,373.00	(178.00)	NETS #1
Revaluation Principal		0.00	0.00	64,000.00	64,000.00	0.00	64,000.00	0.00	
Revaluation Interest		0.00	0.00	4,480.00	4,480.00	0.00	5,280.00	800.00	NETS #1
Anticipated Utility Fund Deficit							183,000.00		
Police & Fire Retirement System	36-475-022	0.00	0.00	327,198.00	327,197.47	0.53	397,809.00	70,611.00	per state
Public Employees Retirement System	36-471-022	0.00	0.00	150,190.00	150,190.00	0.00	167,248.00	17,058.00	per state
Reserve for Uncollected Taxes				1,542,848.37	1,542,848.37	0.00			
TOTAL APPROPRIATIONS				9,095,119.35	8,696,773.39	398,345.96	7,483,352.23	(251,918.75)	

0.00

0.00

(183,000.00)

1,686,243.08 Reserve for Uncollected Taxes
 9,169,595.31 total expenditures budget 2019
 (4,345,974.37) proposed 2019 revenues beside taxes
 4,823,620.94 taxation

123,788,835 assess values 2019
 3.897 local tax rate proposed 2019
 3,602 local tax rate 2018
 0.295

	2018 Budget	Transfers	Reimb.	2018 Final	Disbursed	Balance Reserved	Proposed 2019	Difference	Committee
								average home local tax increase	45,740.00
									134.77
School	7,483,352.23	proposed 2019 before Reserve for Uncollected Taxes					Budget 2018	Proposed 2019	change
County	2,497,941.00	2018 actual			surplus	382,200.00	465,000.00	82,800.00	
	1,671,734.48	2018 actual plus 5.00%			grants	212,776.93	4,772.37	(208,004.56)	
	11,653,027.71	total			municipal court	40,240.00	38,960.00	(1,290.00)	
	(4,345,974.37)	proposed 2019 revenues besides taxation			interest and costs on taxes	95,000.00	95,000.00	-	
	7,307,053.34				cable television	52,322.00	52,322.00	-	
	0,81250	tax collection rate (77.67 actual) (used 82.00 in 2018)			State Aid	1,395,939.00	1,395,939.00	-	
	8,993,296.42				garbage stickers	82,063.00	73,056.00	(9,007.00)	
1,686,243.08	Reserve for uncollected Taxes				transitional aid	1,400,000.00	1,160,875.00	(239,125.00)	
					street openings	3,000.00	2,250.00	(750.00)	
					Senior Village PILOT	16,500.00	16,500.00	-	
					Whispering Waters PILOT	335,000.00	350,086.00	15,086.00	
					SJ Port Agreement	31,224.00	31,224.00	-	
					Reserve for Payment of Bonds	38,000.00	38,000.00	-	
					Unappropriated Grants	7,298.39	-	(7,298.39)	
					receipt from delinquent taxes	522,000.00	622,000.00	100,000.00	
81.84	77.67 2018				taxation	4,481,556.03	4,823,620.94	342,064.91	
(17,16,15 ave)	80.64 2017					9,095,119.35	9,169,595.31	74,475.96	
	81.71 2016					-	0.00		
	83.17 2015								
	88.13 2014								
	87.35 2013								
	86.05 2012								

2019 Budget Worksheet
 Clerk Salary and Wages

Schedule 2

Union 1.5%	2018 Base	Raise	2019 Total	Gen Budget	WS Budget
Anita Garcia	45,000.00	0.0%	45,000.00	40,500.00	4,500.00
Jane Pankok	36,540.00	1.50%	37,088.00	37,088.00	0.00
			19 Budget	77,588.00	
			18 Budget	85,594.00	
			Increase 19	(8,006.00)	

2019 Budget Worksheet
 Finance - SW

Schedule 3

		2018 Base	Raise	2019 Total	Gen Budget	WS Budget
David Crescenzi	CFO / Tax Collect	98,988.00	0.015	100,473.00	66,312.00	34,161.00
Accum Sick	CFO 19 Retire 1/2			7,500.00	7,500.00	
				2019 Budget	73,812.00	
				18 Budget	73,495.00	
				19 Increase	317.00	

2019 Budget Worksheet
 General Administration

Schedule 1

		2018 Base	Raise	2019 Total	Gen Budget	WS Budget
Vacant	Administrator	79,000.00	0.000	79,000.00	71,000.00	8,000.00
				2019 Budget	71,000.00	
				18 Budget	71,000.00	
				19 Increase	0.00	

2019 Budget Worksheet
Housing SW

Schedule 6

		2018 Base	Raise	2019 Total
Carol Wright	Housing Officer	52,067.00	1.5%	52,848.01
			2019 Budget	52,848.01
			18 Budget	50,119.00
			19 Increase	2,729.01

2019 Budget Worksheet
 Tax Assessment

Schedule 5

		2018 Base	Raise	2019 Total	Gen Budget
Marie Proacci	Assessor	\$21,482.00	1.5%	\$21,804.00	\$21,804.00
Tammy Stell	Tax Search	\$1,200.00	0.0%	\$1,200.00	\$1,200.00
Anita Garcia	Asses. Search	\$1,200.00	0.0%	\$1,200.00	\$1,200.00
					19 Budget
					\$24,204.00
					18 Budget
					\$23,882.00
					Increase
					\$322.00

2019 Budget Worksheet
 Tax Collection

Schedule 4

		2018 Base	Raise 2019	2019 Gen Budget
Trenee Thompson	Prin PR Clerk	\$37,281.00	1.50% plus incrmnt	\$39,500.00
		19 Budget		\$39,500.00
		18 Budget		\$39,325.00
		Decrease		\$175.00

CITY OF SALEM POLICE DEPT. HOUSING & STREET DEPT.

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

2009 Mercury Marquis Vin# 2MEHM75V99X619634

2009 Mercury Marquis Vin# 2MEHM75V49X619654

2014 Ford Explorer Vin#1FM5K8AR9E6B20062

2016 Ford Explorer Vin#FM5K8AR4GGA01693

2016 Ford Explorer Vin# 1FM5K8AR9GGA01690

CITY OF SALEM POLICE DEPT. HOUSING & STREET DEPT.

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

2007 Chevy Silverado Vin# 31GCEK14C57E564024

2008 Ford F350 Dump Truck Vin# 1FDWF37538EE39084

2019 Ford F350 Dump Truck Vin# 1FDRF3H6XKED01151

**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			

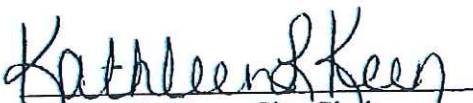
Introduced: August 19, 2013

Published: August 30, 2013

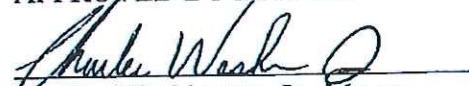
Public Hearing and Final Adoption: September 16, 2013

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

Existing MRI Update

As the MRI had not been updated since 2008, DCA initially updated the index using the existing methodology with the latest data. All eight indicators were updated.

Existing MRI Update Results

The following table lists the top 25 highest-ranking municipalities on the existing MRI Update. Lower values on the Index indicate more distress, while higher values indicate less distress. The rankings are structured such that #1 means the most distressed community, while #565 is the least distressed. It is important to note that the ranks are less meaningful among the lowest ranks of the existing MRI, and the distress differences are slight. Therefore, only the top-ranking municipalities on the MRI should be considered as “distressed.” In order to show absolute measures of distress, Index values are presented such that differences in the magnitude of distress between any two municipalities can be compared independent of rank. In addition, each of the variables are scaled by an appropriate variable (for example, population, labor force, or number of housing units) to ensure strict comparability between communities.

Existing Municipal Revitalization Index Update, Top 25 Municipalities

1 = most distressed, 565 = least distressed				Social Indicators				Economic Indicators				Fiscal Indicators				Infrastructural Indicators			
				Mean Annual Population Change (2009 - 2015)		TANF Children per 1,000 Pop (2015)		Per Capita Income (2015)		Unemployment Rate (2015)		Equalized 3-Year Effective Property Tax Rate (2014 - 2016)		Equalized Property Valuation Per Capita (2016)		Housing Built Prior to 1968 (2015)		Substandard Housing (2015)	
Municipality	County	2017 MRI Index	MRI Rank	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value		
Salem city	Salem	-17.23	1	12	-1.1%	6	18.4	18	\$18,900	4	14.1%	5	4.82	9	\$30,568	105	56.2%	23	1.3%
Winfield townshp	Union	-17.13	2	409	0.5%	434	0.0	141	\$30,270	213	5.5%	1	18.60	2	\$10,953	5	87.1%	257	0.0%
Penns Grove borough	Salem	-16.17	3	41	-0.7%	12	12.3	8	\$15,713	26	9.8%	14	4.35	7	\$27,080	58	63.2%	1	2.9%
Atlantic City city	Atlantic	-13.72	4	164	-0.2%	4	19.7	16	\$18,162	5	13.2%	86	3.31	368	\$163,937	194	48.4%	33	1.2%
Camden city	Camden	-13.34	5	127	-0.3%	3	23.2	1	\$13,412	12	11.1%	203	2.78	5	\$22,145	55	63.5%	112	0.5%
Wildwood city	Cape May	-13.00	6	67	-0.5%	8	15.9	40	\$22,812	1	20.3%	375	2.24	486	\$276,210	114	55.7%	257	0.0%
Egg Harbor City city	Atlantic	-12.42	7	199	-0.2%	11	13.9	29	\$20,905	23	9.9%	18	4.25	42	\$55,141	51	64.7%	23	1.3%
Trenton city	Mercer	-11.28	8	201	-0.1%	10	14.6	12	\$16,914	61	8.0%	6	4.77	8	\$28,013	18	72.7%	112	0.5%
Woodlyne borough	Camden	-11.20	9	211	-0.1%	20	9.5	9	\$16,113	51	8.3%	2	7.56	6	\$23,363	41	66.5%	257	0.0%
Bridgeton city	Cumberland	-10.73	10	188	-0.2%	7	17.6	2	\$13,763	22	10.0%	16	4.30	3	\$19,269	177	49.6%	219	0.1%
Seaside Heights borough	Ocean	-10.69	11	210	-0.1%	1	31.1	14	\$17,793	67	7.8%	443	2.04	448	\$220,392	186	48.8%	257	0.0%
Sussex borough	Sussex	-10.34	12	30	-0.8%	31	7.3	34	\$22,001	106	6.9%	131	3.07	63	\$62,186	32	68.3%	10	2.0%
Paterson city	Passaic	-9.83	13	312	0.2%	9	15.2	10	\$16,142	20	10.1%	40	3.80	15	\$42,592	122	55.1%	136	0.4%
Irvington townshp	Essex	-9.49	14	277	0.1%	26	8.3	23	\$19,465	47	8.5%	9	4.56	11	\$37,551	71	61.2%	41	1.1%
Downe townshp	Cumberland	-9.03	15	31	-0.7%	71	3.9	42	\$22,928	59	8.1%	377	2.24	185	\$98,704	148	51.8%	4	2.5%
Audubon Park borough	Camden	-8.64	16	130	-0.3%	241	1.0	95	\$27,852	30	9.7%	3	5.38	4	\$20,746	2	94.6%	257	0.0%
Phillipsburg town	Warren	-8.28	17	55	-0.6%	27	8.2	51	\$23,986	150	6.2%	69	3.45	31	\$50,444	19	72.1%	58	0.9%
Wrightstown borough	Burlington	-8.23	18	228	-0.1%	2	26.4	37	\$22,619	174	5.9%	231	2.70	22	\$47,140	338	36.7%	257	0.0%
East Orange city	Essex	-8.18	19	285	0.1%	19	9.5	33	\$21,656	43	8.6%	12	4.42	14	\$41,716	135	53.6%	97	0.6%
City of Orange townshp	Essex	-8.09	20	310	0.2%	48	5.3	19	\$19,065	67	7.8%	19	4.19	26	\$47,810	105	56.2%	19	1.4%
Pleasantville city	Atlantic	-7.86	21	387	0.4%	17	11.0	15	\$17,857	10	11.6%	23	4.07	12	\$37,801	289	40.1%	183	0.2%
Passaic city	Passaic	-7.74	22	379	0.4%	22	8.8	4	\$14,956	61	8.0%	121	3.13	25	\$47,621	42	66.3%	58	0.9%
Alpha borough	Warren	-7.72	23	52	-0.6%	206	1.3	152	\$30,889	202	5.6%	116	3.15	157	\$91,906	93	58.5%	4	2.5%
Newark city	Essex	-7.59	24	368	0.4%	15	11.7	11	\$16,791	37	8.8%	166	2.90	29	\$48,803	164	50.6%	70	0.8%
Paulsboro borough	Gloucester	-7.10	25	92	-0.4%	21	8.8	25	\$19,550	26	9.8%	74	3.40	64	\$62,442	145	52.5%	257	0.0%

2017 Municipal Revitalization Index Results

Camden tops the list of the MRI, followed closely by Salem and Atlantic City. Each of these communities receives Transitional Aid, suggesting the Index performs well in identifying municipalities that are fiscally distressed, even with the fiscal indicators weighted at 0.25 each. The 2017 MRI shows a number of other improvements over the existing MRI. Nine of the twelve Transitional Aid municipalities make the top 25 of the 2017 MRI, compared to seven on the existing MRI Update.

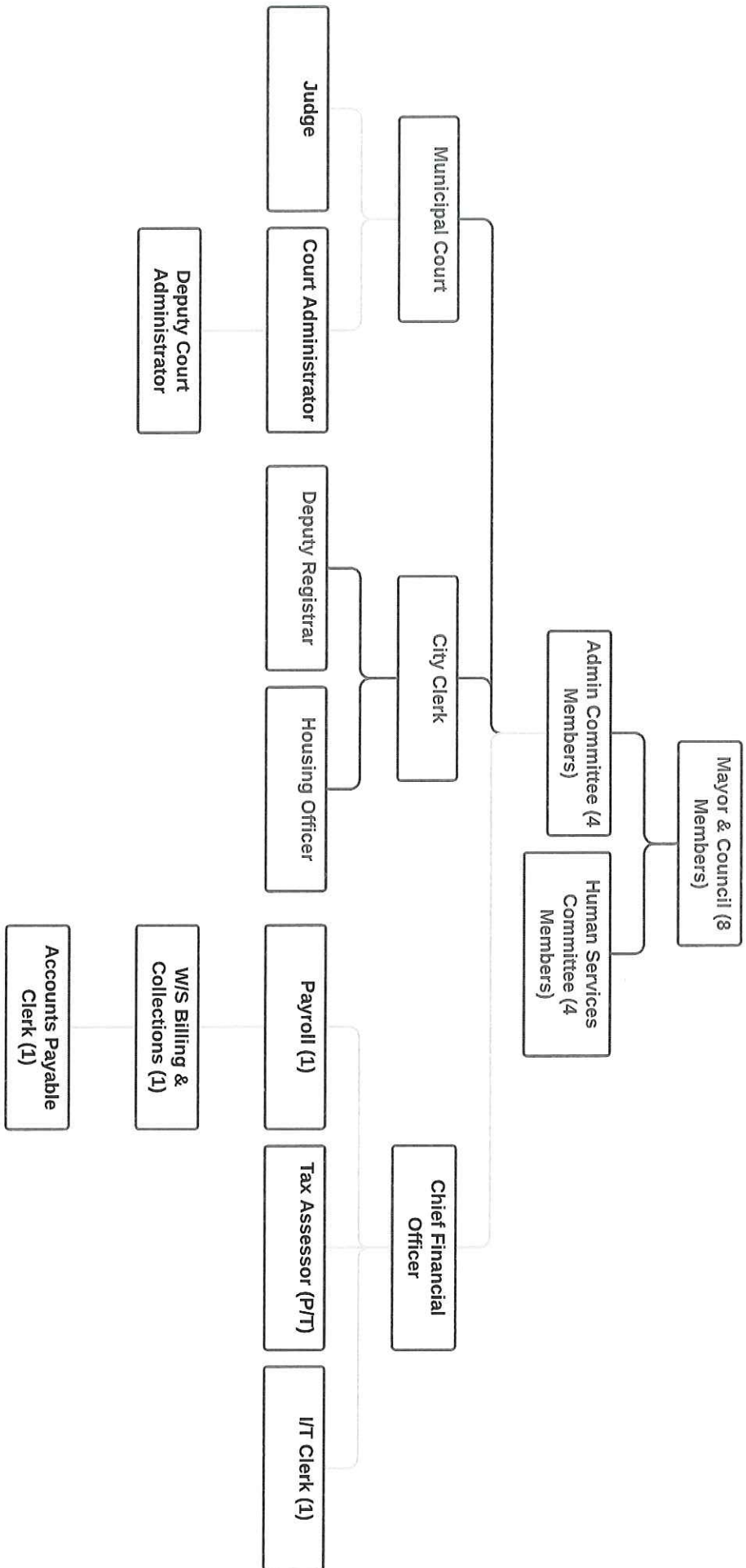
2017 Municipal Revitalization Index, Top 25 Municipalities

		Resident Affordability			Social Indicators				Economic Indicators				Education		Fiscal Indicators									
		Pop. Change	New Seasonal Housing Vacancy		% w/ SNAP Benefits	Children on TANF Rate	Poverty Rate	Med. Household Inc.	Unempl. Rate	HS Diploma or Higher	Avg. Property Tax Rate	Property Value Per Capite												
		Weighted at 0.25 each				Weighted at 1 each				Weighted at 0.25 each														
		Retained	New		Retained	New	Retained	New	Retained	New	Retained	New	Retained	New	Retained	New	Retained	New						
Municipality	County	MRI Score	MRI Distress Score	MRI Rank	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value						
Camden city	Camden	-26.05	100.0	1	126	-3.5%	6	18.3%	1	43.2%	3	23.2	1	39.9%	1	25,042	12	11.1%	7	67.6%	203	2.78	5	22,145
Salom city	Salem	-25.00	97.1	2	28	-10.9%	4	23.6%	2	39.6%	6	18.4	2	39.6%	3	26,320	4	14.1%	25	76.3%	5	4.82	9	30,568
Atlantic City city	Atlantic	-23.33	92.4	3	103	-4.0%	24	14.4%	6	31.6%	4	19.7	3	36.9%	2	25,737	5	13.2%	9	69.6%	86	3.31	368	163,937
Bridgeton city	Cumberland	-21.12	86.3	4	337	2.9%	30	13.5%	7	30.0%	7	17.6	8	32.0%	15	36,208	22	10.0%	2	61.5%	16	4.30	3	19,269
Wilowood city	Cape May	-20.60	84.8	5	109	-3.9%	55	11.2%	25	20.2%	8	15.9	13	29.1%	4	27,067	1	20.3%	37	79.7%	375	2.24	486	276,210
Seaside Heights borough	Ocean	-19.76	82.5	6	70	-5.9%	3	25.3%	16	25.0%	1	31.1	18	26.3%	12	33,958	67	7.8%	34	79.3%	443	2.04	448	220,392
Panns Grove borough	Salem	-19.72	82.4	7	184	-1.7%	19	15.6%	5	36.1%	12	12.3	11	30.4%	5	31,406	26	9.8%	5	66.8%	14	4.35	7	27,080
Paterson city	Passaic	-19.43	81.6	8	247	0.6%	48	11.8%	4	36.4%	9	15.2	13	29.1%	8	32,915	20	10.1%	13	71.4%	40	3.80	15	42,592
Woodbine borough	Cape May	-18.05	77.7	9	139	-3.2%	173	7.6%	10	27.1%	16	11.3	15	28.9%	14	34,906	14	10.9%	1	61.3%	512	1.56	69	63,856
Passaic city	Passaic	-17.45	76.1	10	383	3.9%	115	8.7%	3	36.5%	22	8.8	10	31.6%	6	31,832	61	8.0%	4	65.7%	121	3.13	25	47,621
Trenton city	Mercer	-17.33	75.7	11	178	-1.9%	5	19.6%	11	26.9%	10	14.6	16	28.3%	13	34,257	61	8.0%	11	71.0%	6	4.77	8	28,013
Newark city	Essex	-16.53	73.5	12	332	2.8%	17	15.8%	9	29.3%	15	11.7	12	29.7%	10	33,139	37	8.8%	16	72.3%	166	2.90	29	48,803
Pleasantville city	Atlantic	-16.37	73.1	13	360	3.3%	74	10.4%	14	25.4%	17	11.0	22	24.8%	27	41,633	10	11.6%	10	70.1%	23	4.07	12	37,801
Wrightstown borough	Burlington	-15.46	70.5	14	238	0.3%	222	6.0%	24	20.4%	2	26.4	29	21.4%	41	46,625	174	5.9%	23	75.7%	231	2.70	22	47,140
Woodylyne borough	Camden	-14.69	68.4	15	291	1.8%	52	11.6%	13	26.0%	20	9.5	20	24.9%	23	40,913	51	8.3%	19	74.7%	2	7.56	6	23,363
Paulsboro borough	Gloucester	-14.44	67.7	16	141	-3.1%	12	16.2%	8	29.9%	21	8.8	5	33.8%	24	40,925	26	9.8%	139	88.5%	74	3.40	64	62,442
New Brunswick city	Middlesex	-13.37	64.7	17	506	9.0%	117	8.6%	23	20.8%	41	5.8	4	34.7%	19	38,435	267	5.1%	3	61.6%	246	2.66	46	56,683
Egg Harbor City city	Atlantic	-12.32	61.8	18	79	-5.0%	21	15.3%	54	15.0%	11	13.9	54	15.7%	28	43,235	23	9.9%	38	80.0%	18	4.25	42	55,141
Union City city	Hudson	-12.20	61.5	19	423	4.9%	90	9.8%	12	26.6%	66	4.2	20	24.9%	26	41,107	135	6.4%	6	67.4%	122	3.13	33	51,504
Asbury Park city	Monmouth	-11.98	60.8	20	82	-4.9%	38	12.5%	15	25.1%	55	4.9	9	31.9%	7	32,755	77	7.6%	47	82.0%	462	1.95	149	89,178
East Orange city	Essex	-11.89	60.6	21	148	-2.9%	13	16.1%	20	23.1%	19	9.5	30	21.1%	17	36,921	43	8.6%	78	85.4%	12	4.42	14	41,716
City of Orange township	Essex	-11.75	60.2	22	173	-2.1%	25	14.2%	21	23.0%	48	5.3	17	25.5%	11	33,233	67	7.8%	36	79.6%	19	4.19	26	47,810
Irvington township	Essex	-11.65	59.9	23	92	-4.4%	15	16.0%	35	17.6%	26	8.3	23	23.7%	16	36,782	47	8.5%	45	81.8%	9	4.56	11	37,551
Commercial township	Cumberland	-11.49	59.5	24	169	-2.2%	23	14.5%	19	23.5%	220	1.2	27	22.0%	40	46,195	8	11.8%	27	77.7%	271	2.59	18	45,679
Perth Amboy city	Middlesex	-11.25	58.8	25	471	6.4%	249	6.3%	40	17.3%	76	3.7	25	22.8%	33	44,024	32	9.3%	8	67.9%	158	2.94	57	60,886

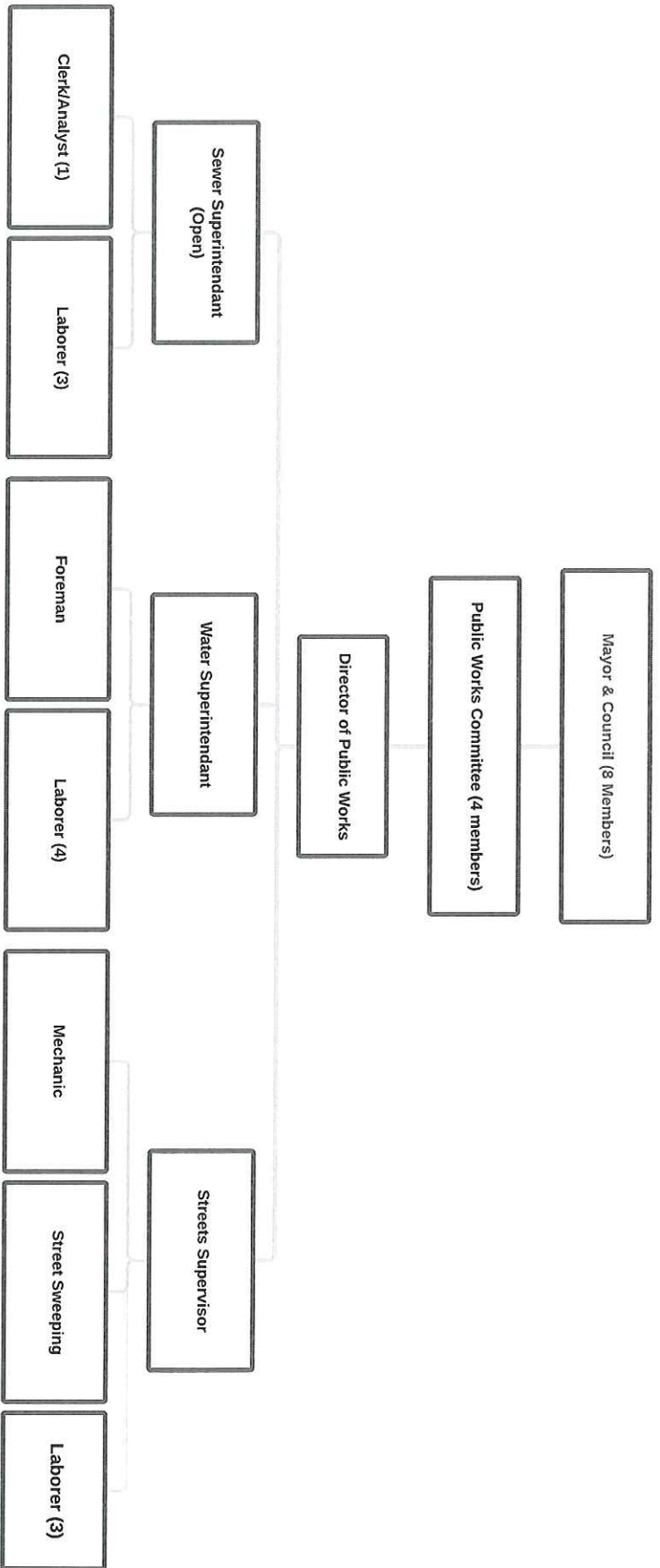
Similar to the existing MRI Update, the 2017 MRI shows high concentrations of distress in rural parts of South Jersey, particularly within Cape May, Cumberland, Salem, and Atlantic Counties. New Jersey's urban communities are shown to be almost uniformly distressed, while urban northeastern New Jersey communities within Bergen, Passaic, Essex, Hudson, and Union Counties register as very distressed.

No municipal distress index can do a perfect job of measuring distress. The sheer diversity of the state's 565 communities makes it impossible for a single measure to completely and accurately assess distress without some degree of bias. Moreover, how distress should be defined and measured is not uniformly accepted and is very much subject to debate. The 2017 MRI, although not a perfect index, is a notable improvement over the existing MRI and is constructed based on the results of a factor analysis and commonly accepted distress indicators. It results from a very robust and rigorous process to develop an adequate measure of municipal distress in New Jersey, as described in this report.

City of Salem Organizational Chart - ADMIN



City of Salem Organizational Chart - Public Works



City of Salem Organizational Chart - Public Safety

