

**Transitional Aid Application for Calendar Year 2018**  
**Division of Local Government Services**  
**Department of Community Affairs**

**General Instructions:** This application must be submitted in its entirety by May 25, 2018 for funding consideration under this program. Information contained in the application is subject to independent verification by the Division. Refer to Local Finance Notice 2018-14 when preparing this application for specific instructions and definitions, and review the Submission Checklist on Page 7 of the Local Finance Notice.

<b>Name of Municipality:</b>	City of Salem			<b>County:</b>	Salem
<b>Contact Person:</b>	David Crescenzi			<b>Title:</b>	CFO
<b>Phone:</b>	856-935-0361	<b>Fax:</b>	935-6360	<b>E-mail:</b>	salemcf0@cityofsalemnj.gov

**I. Aid History**

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

CY 2017	CY 2016	CY 2015
\$1,130,000	\$1,130,000	\$300,000

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

<b>Amount of aid requested for the Application Year:</b>	<b>\$1,445,000</b>
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*If not seeking a decrease, a letter from the Mayor is required. See Local Finance Notice 2018-14.*

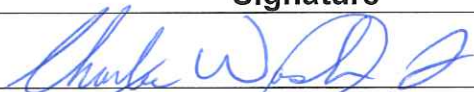

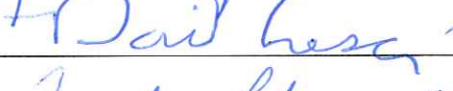

**III. Submission Requirements**

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
2017 Annual Financial Statement	02/28/2018
2016 Annual Audit	08/21/2017
2016 Corrective Action Plan	12/18/2017
Application Year Introduced Budget	04/02/2018
Budget Documentation Submitted to Governing Body	02/19/2018

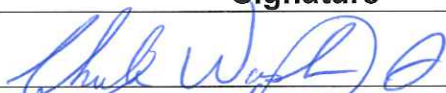

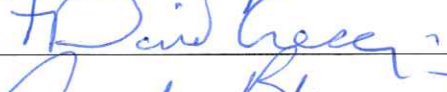

#### IV.A Application Certification

The undersigned herewith certify that they, he or she has reviewed this application and, to his or her knowledge, believes the contents to be true and accurately portrays the circumstances regarding the municipality's fiscal practices and need for financial assistance. By submitting the application, the municipality acknowledges that the law provides that the decision of the Director regarding aid awards is final and not subject to appeal.

Official	Signature	Date
Mayor/Chief Executive Officer		5-21-18
Governing Body Presiding Officer		5-21-18
Chief Financial Officer		5-23-18
Chief Administrative Officer		5-23-18

#### IV.B CY2017 Transitional Aid Recipients Applying in 2018

CY2017 Municipalities operating under a Memorandum of Understanding ("MOU") must certify that they are in substantial compliance with all conditions and requirements of the MOU, including, but not limited to the following: establishment of a pay-to-play ordinance; elimination of longevity for employees not contractually entitled to longevity pay, legal pursuit of elimination of longevity and other remuneration (not base pay) through collective negotiations for all other employees and receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Official	Signature	Date
Mayor/Chief Executive Officer		5-21-18
Governing Body Presiding Officer		5-21-18
Chief Financial Officer		5-23-18
Chief Administrative Officer		5-23-18

**V-A. Explanation of Need for Transitional Aid**

Explain the circumstances that require the need for Transitional Aid in narrative form. Include factors that result in a constrained ability to raise sufficient revenues to meet budgetary requirements, and if such revenues were raised, how it would jeopardize the fiscal integrity of the municipality.

See Attachment A.



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

Show: (1) specific, extraordinary revenue losses, but not as the aggregate of many revenue line items; and (2) specific, extraordinary increases in appropriations, but not as the aggregate of many appropriation line items. Describe the item on the cell below each entry. If applicable, indicate in the description of the extraordinary increase in expenditure if the increase was the result of a policy decision made by the municipality (i.e. a back-loaded debt service schedule, deferred payment, costs associated with additional hires, etc.)

Revenue or Appropriation	2017 Value	2018 Value	Amount of Loss/Increase
Employee Group Insurance	1,254,500.00	1,367,500.00	113,000
<b>Description:</b>	Costs Associated with New Hire from Retirements		
Police Dept.– Salary and Wages	1,700,000.00	1,732,000.00	32,000
<b>Description:</b>	3 New Hires from Civil Service List		
Fin. Admin: Salary and Wages	109,810.00	144,595.00	34,785
<b>Description:</b>	Hired Admin for 79k, some increase offset by retirement in fin office		
Mayor and Council OE	0.00	15,000.00	15,000.00
<b>Description:</b>	Cost of SRM match, not known at time of introduction		
Planning Board OE	17,500.00	24,000.00	6,5000
<b>Description:</b>	Planner increased cost due to new economic activity.		
Finlaw Building Debt Service	65,000.00	90,000.00	25,000
<b>Description:</b>	Required maintenance costs under lease terms: painting		
<b>Description:</b>			



**V-C. Actions to Reduce Future Need for Aid**

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

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 aggressive collective negotiation agreements, attrition, consolidations, restructuring, or other personnel actions; and
- A plan to eliminate, reduce or constrain the costs of non-essential and low-priority 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 health benefit plan being used is cheaper, or what reasons exist for failing to move to SHBP. Additionally, list all brokers (primary broker or risk manager, all co-brokers, and sub-brokers) together with their compensation for the current and prior two fiscal years. Compensation must be disclosed in this section whether provided directly by the municipality or as a commission from the insurance provider. It is the municipality's right, and obligation, to determine whether the broker is compensated with commission in order to fully complete this section. If commissions are being earned, provide both how the commission is calculated (percentage of premium or self-insurance) and the actual \$ value of the commission received in each year.

**Currently in SHBP**

## VI. Historical Fiscal Statistics

Item	2016	2017	Introduced Application Year
<b>1. Property Tax/Budget Information</b>			
Municipal tax rate	\$2.028	\$3.583 revaluation	\$3.823
Municipal Purposes tax levy	\$4,374,080.88	\$4,442,827.79	\$4,754.664.21
Municipal Open Space tax levy	\$0	\$0	\$0
Total general appropriations	\$8,29,962.22	\$10,320,771.32	\$8,688,506.99
<b>2. Cash Status Information</b>			
% Of current taxes collected	81.71%	80.64%	%
% Used in computation of reserve	84.88%	82.13% 3yr avg	82.00% 3r avg
Reserve for uncollected taxes	\$1,310,916.39	\$1,535,073.49	\$1,592,098.56
Total year end cash surplus	\$63,624.43	\$443,206.53	
Total non-cash surplus	\$359,092.50	\$281,427.05	
Year end deferred charges	\$359,092.50	\$281,427.05	
<b>3. Assessment Data</b>			
Assessed value (as of 1/10)	\$215,567,834	\$123,956,510	\$124,382,603
Average Residential Assessment	\$95,383.56	\$45,740.00	\$45,767.72
Number of tax appeals granted	237	4	
Amount budgeted for tax appeals	\$0	\$0	\$0
Refunding bonds for tax appeals	\$0	\$0	\$0
<b>4. Full time Staffing Levels</b>			
Uniformed Police - Staff Number	18	19	21
Total S&W Expenditures	\$1,153,654.49	\$1,594,976.77	\$1,732,000.00
Uniformed Fire - Staff Number	Volunteer	Volunteer	Volunteer
Total S&W Expenditures	\$0	\$0	\$0
All Other Employees - Staff Number	21	20	20
Total S&W Expenditures	\$977,811.78	\$868,471.12	\$925,461.00
<b>5. Impact of Proposed Tax Levy</b>			
			<b>Amount</b>
Current Year Taxable Value			\$124,382,603
Introduced Tax Levy			\$4,754,664.21
Proposed Municipal Tax Rate	3.823	Average Res. Value ( #4 above)	\$45,768
Current Year Taxes on Average Residential Value (#4 above)			\$1,749.71
Prior Year Taxes on Average Residential Value			\$1,638.86
Proposed Increase in average residential taxes			\$110.85



**VII. Application Year Budget Information**

A. Year of latest revaluation/reassessment	2017
A1. Most current equalized ratio	93.12

B. Proposed Budget – Appropriation Cap Information

Item	Yes	No
1. Was an appropriation cap index rate ordinance adopted last year? If YES: % that was used	x	
2.5%		
2. Amount of appropriation cap bank available going into this year		
\$187,031		
3. Is the Application Year budget at (appropriation) cap? If NO, amount of remaining balance	x	
\$		
4. Does the Application Year anticipate use of a waiver to exceed the appropriation cap? If YES, amount:		X
\$		

C. List the five largest item appropriation increases:

Appropriation	Prior Year Actual	Application Year Proposed	\$ Amount of Increase
Employee Group Ins.	\$1,089,511.10	\$1,367,500.00	\$113,000.00
General Administration S&W	\$0.00	\$71,100.00	\$71,100.00
Police Salary and Wages	\$1,594,976.77	\$1,732,000.00	\$32,000.00
Police and Fire Retirement	\$299,777.00	\$327,198.00	\$27,421.00
Sinking Fd Debt Service Finlaw	\$65,000.00	\$90,000.00	\$25,000.00

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

Department/Agency	Position	Number	Dollar Amount
	None		

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

	Tax Levy	Local Revenues	Transitional Aid	Total S&W	Total OE
<b>First year</b>	4,754,664.21	3,993,842.78	960,500.00	2,960,829	2,948,310
<b>Second year</b>	4,849,757.20	4,313,842.00	640,500.00	3,005,241	2,950,000
<b>Third year</b>	4,946,752.34	4,634,342.00	320,000.00	3,050,391.62	2,960,000

**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)?		
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	<b>SHBP</b>		
	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	2018	2012
Average total cost percentage increase	1.5%	NA%	1.5%	1.75%
Last contract settlement date	11/23/2015	NA	12/12/2015	
Contract expiration date	12/31/2018	NA	12/31/2019	

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

Action	Police	Fire	Other Contract	Non-Contract
Furloughs (describe below)				
Wage Freezes (describe below)				<b>YES</b>
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 2017 budget? If not, please include a letter from the tax collector explaining why he/she failed to complete the sale in a timely manner and what the impacts were on cash flow and lost investment earnings.		
2. When was the last foreclosure action taken or tax assignment sale held: <span style="float: right;">Date:</span>	June 20, 2016	
3. On what dates were tax delinquency notices sent out in 2017: <span style="float: right;">Date:</span>	May 15, Sept 15, Nov 15	
4. Date of last tax sale: <span style="float: right;">Date:</span>	02/21/2018	

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:

2016	\$3.33	2017	\$0	Anticipated Application Year:	\$0
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2. List the instruments in which idle funds are invested:

Checking Accounts.	

3. What was the average return on investments during 2017?

0%
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4. Left Blank Intentionally

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

Bowman and Company
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6. When was the last time the municipality changed auditors?

January 1, 2004
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G. Status of Collective Negotiation (Labor) Agreements: List each labor agreement by employee group, contract expiration date, and the status of negotiations of expired contracts.

Employee Group	Expiration Date	Status of Negotiations of Expired Agreement
FOP	Dec. 31, 2018	No Activity to Date
Blue Collars Workers	Dec. 31, 2019	
Crossing Guards (CWA)	No Contract	Contract being finalized.

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	2017 PILOT Billing	2017 Assessed Value	2017 Taxes If Billed in Full at 2016 Total Tax Rate	Term of Tax Abatement
Harvest Point Block 106 Lot 3	Affordable Housing	\$365,004	\$11,050,000	\$754,715.00	30 Years
Senior Village Block 57 Lot 15	Sr. Citizen Housing	\$16,500	\$6,077,500	\$415,093.25	30 Years



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

Line Item	Prior Year Actual	Application Year Proposed	Explanation of Change
Gasoline	\$32,996	\$58,000	Cooperative Purchasing Agreement with Salem County.
Electricity			Cautious to lower appropriation due to market uncertainty.
			Completed On Line Bid process to get lower Rate. Emex.
			New rate takes effect June 2018. Should lead to 2019 reduction.



**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"/>			
Swimming Pool	<input checked="" type="checkbox"/>	NO	\$5,000	School provides funding for literacy program.
Uniform Construction Code	<input type="checkbox"/>	State		Donations from Public also used to offset costs.
Uniform Fire Code	<input type="checkbox"/>	State		
Land Use Fees	<input type="checkbox"/>			
Parking Fees	<input checked="" type="checkbox"/>	Meters Yes		
Beach Fees	<input type="checkbox"/>			
Insert other local fees below:	<input type="checkbox"/>			
Land Use Escrow fees for in-house staff	<input type="checkbox"/>			
Land Use Escrow fees for independent contractors	<input type="checkbox"/>			
Trash Removal	<input checked="" type="checkbox"/>	No	\$50,000	Sell \$1 trash sticker for 33 gallon bag.
Abandon Property Registration	<input checked="" type="checkbox"/>	Yes		Future Systems \$47k.



**Section XI – Impact of Limited or No Aid Award**

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

Rank Order	Department	# of Layoffs	Effective Date	2016 Full Time Staffing	2017 Full Time Staffing	\$ Amount to be Saved

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

Rank Order	Service	Cost Savings	Impact on Services
1	Recreation	\$15,000	May reduce pool hours.



**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 2017 MOU and is operating in good faith to correct those area of noncompliance that have been identified, including, but not limited to, the following: establishment of a pay to play ordinance; termination of longevity pay for officers and employees not contractually entitled to longevity pay; termination of health benefits for part time officers and employees; receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Mayor: Chuck Walsh Date: 5-23-18  
 Chief Financial Officer: David Casey Date: \_\_\_\_\_  
 Chief Administrative Officer: Jennifer Blumenthal 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: David Casey Date: 5-23-18  
 Chief Administrative Officer: Jennifer Blumenthal Date: \_\_\_\_\_

**XV. CERTIFICATION OF APPLICATION FOR TRANSITIONAL AID**

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

Mayor: Chuck Washburn Date: 5-23-18

Chief Financial Officer: David King Date: 5-23-18

Chief Administrative Officer: Gregory Blumhardt 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 2018 is 1,445,000 based on the following reasons:**

- ◆ City Received \$1,130,000 last year
- ◆ Increase Costs of \$200,000 to comply with emergent DEP order at Water plant.
- ◆ \$100,000 for Finlaw Building deficit.
- ◆ \$15,000 match for participation in State Resource Network program.

*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 **\$109,641,397**.  
(\$234,024,000 [2012] minus 124,382,603[2018])

**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 80.64%**

The City's collection rate fell 7.49% (2017 80.64% minus 2014 88.13%) since 2014. The City passed a resolution to authorize the use of the 3 year average not to exceed 84.34%, but chose to use 82.00% in the calculation of the Reserve for Uncollected Taxes. 82.00% 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.

**d. The Water and Sewer Utility is under extreme financial stress.** In the past 20 years, Salem's Water and Sewer Utility has functioned in a fiscally self-sustaining manner. In order to offset administrative oversight and other management expenses (indirect costs), Salem had withdrawn reasonable amounts of funds from the Water and Sewer budget into the taxpayer Current Fund budget. In mid-2012 Salem completed construction of a new Water Plant with grant/loan funding through the NJEIT administered stimulus program. Shortly thereafter it was realized that the Water Plant cannot function as intended and Salem will probably be forced to initiate costly and protracted litigation. The flaws in the new Water Plant have also caused the Water and Sewer Department overtime budget to skyrocket. The Water and Sewer Fund presently has only a marginal cash surplus, the prospect of the taxpayer budget having to subsidize the utility budget is arising. Furthermore, at December 31", 2017 the Water/Sewer Fund Improvement Authorization Ordinances 07-15/08-18/09-15 has cash deficit of \$289,610.49.

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. They also had to provide a \$2,000 a month stipend to an existing employee for use of his license as backup operator.

**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 2018 Budget is \$90,000 however appropriations since CY 2012 have totaled \$585,000.00 almost 46 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. 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 82.00%
- If the actual 2017 collection percentage of 80.64 was used, the RUT in the 2018 introduced budget would have been \$1,741,264.58, which would be \$149,171.02 higher than the \$1,592,093.56 used.



## **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 reestablished 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 prgramas at the JB Campbell Community center due to decreased participation. The contract at the center was at a cost of \$20,000.

**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 appropiated 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 bill9ngs to improve cash flow.

The City repaired its parking meters internally and will now receive \$20,000. No parking meter funds were received in 2017 due to the broken meters.

During the last tax sale the city received a tax title lien back that included the Incollingos (Supermarket property). The owner of Incollingo's is also the owner of all shops in the same strip mall. The City is pursuing a receivership to receive the rents in lieu of taxes.

**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.



# City of Salem 2018 Organizational Chart

Mayor & City Council (8 members)

Administration

Admin Committee (4 Council Members)  
Administrator

Finance

Admin Committee

Police

Mayor

Housing Office

Human Services Comm (4)

Public Works

Public Works Committee (4 members)  
Street Dept

Water Sewer Dept.

City Clerk

CFO / Tax & W/S Collector (1 person)

Public Safety Comm. (4 members)

Clerk/Administrator

Water Supt & Public Works Manager (1 person) (Separate Budget)

Clerk's Office- Clerk, Assistant (also Registrar)

Accounts Payable (1 employee)

Police Chief

Housing Officer

Foreman

Sewer Supt.

Tax & Water Sewer Collection (1 employee)

Lieutenant

Patrolman (11)

Mechanic

Laborer (5)

IT Clerk ( WS Budget )

Clerk Typists (2)

Street Sweeper

Clerk / Analyst

Payroll (includes water sewer) (1 employee)

Municipal Court  
Judge

Tax Assessor (part time)

Construction Code Office  
State of NJ Free

Court Administrator  
Deputy Court Administrator

2012 Qualified Bond Act Bonds				2002 Bonds				Total Debt			
Date	Interest	Principal	Balance	Date	Interest	Principal	Balance	Year	Interest	Principal	Total
2013	101,303.68	135,000.00	3,110,000.00	2013	16,435.00	140,000.00	416,000.00	2013	117,738.68	275,000.00	3,526,000.00
2014	97,118.90	140,000.00	2,835,000.00	2014	9,666.25	145,000.00	276,000.00	2014	106,785.15	285,000.00	3,251,000.00
2015	92,522.50	165,000.00	2,670,000.00	2015	3,111.25	131,000.00	131,000.00	2015	95,633.75	296,000.00	2,967,000.00
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**

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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](http://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](http://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](http://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](http://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 &gt;&gt;

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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
<b>Economy/ Tax Base</b>					
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 USMedian)	61.7%	46.5%	49.2%	50.4%	50.4%
<b>Finances</b>					
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%
<b>Debt/Pensions</b>					
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.com](http://www.moody.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.



## CITY OF SALEM POLICE AND HOUSING OFFICE VEHICLES

### Police Department

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

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

GENERAL GOVERNMENT		2017 Budget	Transfers	Reimb.	2017 Final	Disbursed	Balance Reserved	Proposed 2018	Difference	Committee
Human Resources		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Other Expenses	20-105-020	3,000.00	(2,000.00)	0.00	1,000.00	630.00	370.00	3,000.00	0.00	xxxxxx
Mayor & Council		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-110-010	55,000.00	4,700.00	0.00	59,700.00	58,898.85	801.15	55,000.00	0.00	xxxxxx
Other Expenses	20-110-020	25,000.00	2,000.00	0.00	27,000.00	24,500.80	2,499.20	28,000.00	3,000.00	Admin
Municipal Clerk		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-120-010	85,594.00	10,000.00	0.00	95,594.00	88,138.48	7,455.52	85,594.00	0.00	sch 1
Other Expenses	20-120-020	28,530.00	2,500.00	0.00	31,030.00	28,261.09	2,768.91	28,530.00	0.00	Admin
Financial Administration		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-130-011	109,810.00	11,200.00	0.00	121,010.00	120,860.60	149.40	144,595.00	34,785.00	sch 2
Other Expenses	20-130-020	16,020.00	0.00	0.00	16,020.00	15,197.15	822.85	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	38,780.00	6,220.00	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	33,600.26	5,724.74	39,325.00	0.00	sch 4
Other Expenses	20-145-020	7,850.00	1,500.00	0.00	9,350.00	7,605.63	1,744.37	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	20,896.71	2,985.29	23,882.00	0.00	sch 3
Other Expenses	20-150-020	9,000.00	0.00	0.00	9,000.00	7,422.52	1,577.48	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	4,900.00	0.00	83,870.00	82,001.47	1,868.53	78,970.00	0.00	xxxxxx
In Rem Foreclosures	20-155-020	55,000.00	(20,000.00)	0.00	35,000.00	19,210.00	15,790.00	55,000.00	0.00	xxxxxx
Engineering Services	20-165-222	12,000.00	2,000.00	0.00	14,000.00	12,000.00	2,000.00	12,000.00	0.00	xxxxxx
Economic Development		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	20-170-011	6,000.00	(5,000.00)	0.00	1,000.00	0.00	1,000.00	6,000.00	0.00	Admin
Other Expenses	20-170-020	1,000.00	(500.00)	0.00	500.00	0.00	500.00	1,000.00	0.00	Admin
LAND USE ADMINISTRATION:										
Planning Board	21-180-020	17,500.00	1,500.00	0.00	19,000.00	18,637.09	362.91	24,000.00	6,500.00	Redev.
CODE ENFORCEMENT:		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Housing Inspections & Permits		xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Salary & Wages	22-200-000	50,119.00	1,200.00	0.00	51,319.00	46,848.24	4,470.76	50,119.00	0.00	Human Serv.
Other Expenses	22-200-000	45,500.00	3,000.00	0.00	48,500.00	42,862.81	5,637.19	45,500.00	0.00	Human Serv.

Tex ↑ 24¢

7.3¢ Fall Aid



		2017 Budget	Transfers	Reimb.	2017 Final	Disbursed	Balance Reserved	Proposed 2018	Difference	Committee
<b>INSURANCE:</b>										
Unemployment & Disability	36-476-000	2,250.00	0.00	0.00	2,250.00	1,608.84	641.16	2,250.00	0.00	
<b>PUBLIC SAFETY FUNCTIONS:</b>										
Police Department		1,700,000.00	(50,000.00)	0.00	1,650,000.00	1,594,976.77	55,023.23	1,732,000.00	32,000.00	Public Safety
Salary & Wages	25-240-011	78,000.00	0.00	0.00	78,000.00	69,522.55	8,477.45	78,000.00	0.00	Public Safety
Other Expenses	25-240-020	8,200.00	0.00	0.00	8,200.00	8,197.20	2.80	8,200.00	0.00	Public Safety
Office of Emergency Management		10,000.00	1,000.00	0.00	11,000.00	10,681.79	318.21	10,000.00	0.00	Public Safety
Salary & Wages	25-252-011	45,000.00	0.00	0.00	45,000.00	42,294.29	2,705.71	45,000.00	0.00	Public Safety
Aid to Volunteer Ambulance	25-260-022									
Fire Department	25-265-020									
<b>PUBLIC WORKS:</b>										
Streets and Roads Maintenance		358,552.00	0.00	0.00	358,552.00	354,399.18	4,152.82	362,369.00	3,817.00	Public Works
Salary & Wages	26-290-011	30,000.00	12,000.00	0.00	42,000.00	40,577.43	1,422.57	30,000.00	0.00	Public Works
Other Expenses	26-290-020	52,997.00	0.00	0.00	52,997.00	52,402.39	594.61	52,997.00	0.00	Public Works
Street Cleaning		700.00	0.00	0.00	700.00	700.00	0.00	700.00	0.00	Public Works
Salary & Wages	26-302-011	70,000.00	2,000.00	0.00	72,000.00	64,782.39	7,217.61	70,000.00	0.00	City Property
Other Expenses	26-302-020	20,000.00	(15,000.00)	0.00	5,000.00	0.00	5,000.00	20,000.00	0.00	Public Works
Buildings and Grounds		30,675.00	0.00	0.00	30,675.00	30,674.98	0.02	30,675.00	0.00	Public Works
Demolition of Substandard Buildings		350.00	0.00	0.00	350.00	0.00	350.00	350.00	0.00	Human Services
Other Expenses	26-310-020	22,600.00	0.00	0.00	22,600.00	8,167.82	14,432.18	22,600.00	0.00	Human Services
Vehicle Maintenance	26-315-020									
HEALTH & HUMAN SERVICES:										
Board of Health	27-330-022									
Animal Control Services	27-340-022									
<b>PARK &amp; RECREATION:</b>										
Recreation & Parks		20,000.00	0.00	0.00	20,000.00	15,000.00	5,000.00	20,000.00	0.00	Community Ser
Other Expenses	28-370-020	283,538.00	0.00	0.00	283,538.00	283,538.00	0.00	283,538.00	0.00	
<b>LIABILITY:</b>										
Workers Compensation	23-210-022	121,517.00	0.00	0.00	121,517.00	121,516.67	0.33	121,517.00	0.00	
Employee Group	23-220-022	1,254,500.00	0.00	0.00	1,254,500.00	1,069,448.90	185,051.10	1,367,500.00	113,000.00	

		2017 Budget	Transfers	Reimb.	2017 Final	Disbursed	Balance Reserved	Proposed 2018	Difference	Committee
MUNICIPAL COURT:										
Salaries and Wages	43-490-011	95,000.00	(2,000.00)	0.00	93,000.00	81,929.21	11,070.79	95,000.00	0.00	Admin.
Other Expenses	43-490-022	17,000.00	0.00	0.00	17,000.00	11,690.46	5,309.54	17,000.00	0.00	Admin
Public Defender	43-495-022	9,730.00	0.00	0.00	9,730.00	9,637.00	93.00	9,730.00	0.00	Admin
UTILITY & BULK PURCHASES:										
Electricity	31-430-022	103,000.00	0.00	0.00	103,000.00	91,380.30	11,619.70	103,000.00	0.00	
Street Lighting	31-435-022	120,000.00	0.00	0.00	120,000.00	118,325.28	1,674.72	120,000.00	0.00	
Telephone	31-440-022	74,000.00	0.00	0.00	74,000.00	73,255.10	744.90	74,000.00	0.00	
Natural Gas	31-446-022	13,755.00	0.00	0.00	13,755.00	12,829.94	925.06	13,755.00	0.00	
Heating Oil	31-447-022	25,000.00	0.00	0.00	25,000.00	13,710.22	11,289.78	25,000.00	0.00	
Gasoline	31-460-022	58,000.00	(14,000.00)	0.00	44,000.00	32,996.04	11,003.96	58,000.00	0.00	
LANDFILL WASTE DISPOSAL:										
Sanitary Landfill		2,400.00	0.00	0.00	2,400.00	2,300.00	100.00	2,400.00	0.00	
Salary & Wages	32-465-011	2,400.00	0.00	0.00	2,400.00	2,300.00	100.00	2,400.00	0.00	
Other Expenses	32-465-020	83,600.00	1,000.00	0.00	84,600.00	84,571.88	28.12	83,600.00	0.00	
STATUTORY EXPENDITURES:										
Social Security	36-472-022	169,000.00	48,000.00	0.00	217,000.00	204,601.23	12,398.77	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		1,659,826.81	0.00	0.00	1,659,826.81	1,659,826.81	0.00	8,256.39	(1,651,570.42)	no grants in 2018 yet
Other Expenses		82,063.00	0.00	0.00	82,063.00	80,942.96	1,120.04	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	10,000.00	0.00	

		2017 Budget	Transfers	Reimb.	2017 Final	Disbursed	Balance Reserved	Proposed 2018	Difference	Committee
Municipal Debt Service:										
Bond Principal	45-920-022	225,000.00	0.00	0.00	225,000.00	225,000.00	0.00	235,000.00	10,000.00	nets to zero
Bond Interest	45-930-022	80,300.00	0.00	0.00	80,300.00	80,242.57	57.43	73,400.00	(6,900.00)	nets to zero
Deferred Charge		26,000.00	0.00	0.00	26,000.00	26,000.00	0.00	22,900.00	(3,100.00)	nets to zero
Sinking Fund - Finlaw Debt Service		65,000.00	0.00	0.00	65,000.00	65,000.00	0.00	90,000.00	25,000.00	painting
Overexpenditures		293,931.02	0.00	0.00	293,931.02	293,931.02	0.00	25,427.05	(268,503.97)	revenue reduced also
Transfer to Bd of Education	48-900-022	16,514.00	0.00	0.00	16,514.00	16,514.00	0.00	16,551.00	37.00	
Revaluation Interest		64,000.00	0.00	0.00	64,000.00	64,000.00	0.00	64,000.00	0.00	
Revaluation Interest		4,352.00	0.00	0.00	4,352.00	4,351.36	0.64	4,352.00	0.00	
Police & Fire Retirement System	36-475-022	299,777.00	0.00	0.00	299,777.00	299,777.00	0.00	327,198.00	27,421.00	per state
Public Employees Retirement System	36-471-022	164,960.00	0.00	0.00	164,960.00	164,960.00	0.00	150,190.00	(14,770.00)	per state
Reserve for Uncollected Taxes		1,535,073.49			1,535,073.49	1,535,073.49	0.00			
TOTAL APPROPRIATIONS		10,320,771.32	-	-	10,320,771.32	9,897,496.77	423,274.55	7,096,413.44	(1,689,284.39)	

0.00

0.00

1,592,093.56 Reserve for Uncollected Taxes  
 8,688,506.99 total expenditures budget 2018

(3,933,842.78) proposed 2018 revenues beside taxes  
 4,754,664.21 taxation

124,382,603 assess values 2018  
 3,823 local tax rate proposed 2018  
 3,583 local tax rate 2017  
 0.240  
 457740





**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:

<b>1. Administration</b>	<b>Title Code</b>	<b>Not to Exceed</b>	
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.
<b>2. Municipal Court</b>			
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.
<b>3. Tax Assessor's Office</b>			
a) Tax Assessor	04120	\$ 21,482.00	Yr.
b) Sr. Bookkeeping Machine Operator	03213	\$ 52,052.00	Yr.
<b>4. City Clerk's Office</b>			
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			

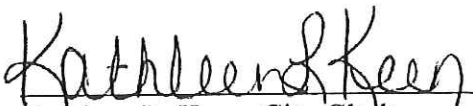
Introduced: August 19, 2013

Published: August 30, 2013

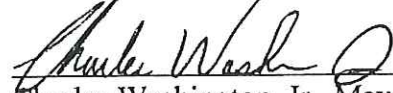
Public Hearing and Final Adoption: September 16, 2013

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 1960 (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 town ship	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%
Woodlynne 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 town ship	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 town ship	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 town ship	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	\$30,869	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

1 = most distressed, 565 = least distressed					Residential Desirability				Social Indicators				Economic Indicators				Education		Fiscal Indicators					
					Pop. Change		Non-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 Capita	
					Weighted at 0.25 each				Weighted at 1 each								Weighted at 0.25 each							
					Retained		New		New		Retained		New		New		Retained		New		Retained		Retained	
Municipality	County	MRI Score	MRI Distress Score	MRI Rank	Rank	Value	Rank	Value	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
Salem 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
Wildwood 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	25.3%	12	33,958	67	7.8%	34	79.3%	443	2.04	448	220,392
Penns 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	6.8%	24	20.4%	2	26.4	29	21.4%	41	46,625	174	5.9%	23	75.7%	231	2.70	22	47,140
Woodlynne borough	Camden	-14.69	68.4	15	291	1.8%	52	11.5%	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.