

Camden's Fiscal Outlook

*A Review of the Revenues and Expenses in the
Municipal Budget*

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DRAFT

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Camden's Fiscal Outlook – September 2007

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The purpose of **CAMConnect** is to expand and democratize access to information for residents and organizations that live and work in the City of Camden.

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INTRODUCTION

The combination of a lack of property wealth and the need for extensive public safety services have created a situation where the City of Camden needs significant state aid to supplement its local property tax revenue. This pattern has occurred for much of the past 25 years, but this paper focuses on the period since fiscal year (FY) 2001.

First, this paper examines revenue sources for the City budget and explains the sources of funding, and how Camden compares to other cities. The revenue analysis also focuses on trends in the composition of Camden's revenues. This paper then examines expense trends and factors leading to increasing costs.

To prepare this analysis, CAMConnect examined municipal audits, state budget documents, analysis of the budget for the Department of Community Affairs (DCA), expert reports on Camden's fiscal condition, and interviewed officials in the City of Camden and DCA. This analysis builds on previous work prepared by CAMConnect, most recently updated in June 2007 and available on CAMConnect's website.

This analysis relies on the audit for the fiscal year (FY) 2006 budget year for Camden and the introduced budget for FY 2008, which also contains year-end estimates for FY 2007. The most recent fiscal year for which an audit is available is 2006. The FY 2008 numbers are subject to significant revision depending on the outcomes of the ongoing budget process.

REVENUES

The revenues needed to support the City of Camden's operating budget can be placed into three general categories: local sources, formula state aid, and special state aid. This analysis will provide further background and context for these three categories of revenue to provide a clearer picture of Camden's fiscal situation.¹

Since FY 2001, the City of Camden's revenues from local sources and formula state aid have not kept pace with rising costs. As a result, the amount of special state aid needed by the City government has increased from \$11 million annually (FY 2001) to \$47 million annually (FY 2007) and up to an estimated \$61 million (FY 2008). Broadly speaking, the amount of special state aid can be used as a proxy for the City's structural budget deficit, as it represents the difference between recurring sources of revenue that can be expected annually and the operating costs associated with running the City. Table 1 summarizes the breakdown of revenues for the City budget for fiscal year 2006 through fiscal year 2008 (budgeted).

¹ This analysis does not include "public and private revenues offset with appropriations," otherwise known as grants. Because they are targeted towards specific projects, grants cannot be used to help balance the City's budget. This analysis is focused on the City's Current Fund; it does not consider other funds for utilities or capital projects except when these funds affect the Current Fund.

Table 1: Summary of Camden Revenue Sources

Source	FY 2006	FY 2007	FY 2008
Local Revenue	\$33,580,000	\$37,000,000	\$34,400,000
State Aid - Formula	\$55,756,000	\$57,968,000	\$56,865,000
State Aid – Special	\$47,130,902	\$47,130,901	\$61,790,943

REVENUE SOURCES FOR THE CITY OF CAMDEN, FY 2008

1. Local Revenue	\$34,400,000
1-A Current tax payments	\$18,000,000
1-B Delinquent tax payments	\$ 100,000
1-C Payments in Lieu of Taxes	\$ 4,628,198
1-D Host Community Benefits	\$ 2,575,709
1-E Tax Lien Financing Corporation	\$ 2,500,000
1-F Other local revenues	\$ 6,562,400

1-A. Current tax payments are property tax payments received in the current fiscal year by the City of Camden. Camden's estimated tax collection rate in FY 2008 is 90.00%², an improvement from 78.45% in FY 2001. The City still must budget for a "Reserve for Uncollected Taxes" to account for unpaid taxes. Camden's tax levy is about \$37 million, which, with an 90% collection rate, translates to about \$33 million in revenues. However, the City must pay the School District and the County 100% of their share of municipal taxes collected, so out of the \$33 million that is actually collected, the City keeps only about \$16-18 million.

In New Jersey, the primary source of revenue for most municipalities is the property tax. In Camden, the equalized value of taxable property is about \$1.1 billion.³ In comparison, Cherry Hill, a neighboring township with a slightly smaller population, has an assessed value of taxable property of \$9.2 billion, or more than eight times as much as Camden. The equalized value per resident in Camden is about 1/10 that of the State average, so Camden begins at a distinct disadvantage when it comes to raising local revenues.

In addition, the Municipal Rehabilitation and Economic Recovery Act (MRERA), which was originally passed in 2002, forbids raising taxes during the recovery period, recently extended to 2012. According to the Act, "During the rehabilitation term, the chief operating officer shall not increase the municipal portion of the general tax rate over the rate established for the year during which the rehabilitation took effect."⁴

² City of Camden. Municipal Data Sheet State Fiscal Year 2008 (Introduced copy), August 2007.

³ Equalized value is a way of comparing the market values in different municipalities. The source for this data is the Department of Community Affairs (DCA), Division of Local Government Services (LGS), available at <http://www.state.nj.us/dca/lgs/taxes/taxmenu.shtml>

⁴ Municipal Rehabilitation and Economic Recovery Act (C.52:27BBB-27(a))

1-B. Delinquent tax payments are payments made on taxes that were due in prior years.

1-C. Payments in Lieu of Taxes (PILOTs) are negotiated with developers on a case-by-case basis at the time a development is planned. Most new taxable developments in Camden during the past five years have negotiated a PILOT, including the institutions who received funding from the Economic Recovery Board (ERB). In a PILOT, a developer agrees to pay the City a certain amount for a set period of time.

1-D. Host Community Benefits (impact fees) are payments made to Camden by different organizations or agencies to help mitigate the social and environmental costs of different facilities. The City budget groups these Host Community Benefits together with PILOTs on their budget, but they are separated for the purpose of this analysis. Camden Resource Recovery and Cogen are among the entities paying Host Community Benefits. Payments from Camden Water LLC for the City's water concession are also included in this category.

1-E. Tax Lien Financing Corporation (TLFC) revenues are estimated at \$2.5 million in FY 2008. These funds increased from \$625,000 in FY 2007. These revenues are not earned directly by the City but rather via the TLFC, which was created by the State several years ago to capitalize tax liens held by the City.

1-F. Other local revenues include court fines, license fees, and transfers from other City funds to cover operating costs. This amount varies considerably from year to year depending on how much the city relies on transfers from the utility, sewer, capital, and water funds to balance its budget.

Payment in Lieu of Taxes (PILOT) arrangements and improved property tax collections have accounted for the only revenue growth in the past four years, as most of the City's longer-term economic development projects have not yet materialized.

2. State Aid - Formula	\$56,865,000
2-A CMPTRA	\$ 48,281,753
2-B Energy Receipts Tax	\$ 6,951,493 ⁵
2-C Legislative Initiative Municipal Block Grant	\$ 382,835
2-D Municipal Homeland Security Assistance	\$ 140,000
2-E Municipal Property Tax Assistance	\$ 1,108,788

The State of New Jersey has several aid programs that apply to all municipalities in the State and are recurring payments each year. Further description of these programs is below.

2-A. Consolidated Municipal Property Tax Relief Aid (CMPTRA) was created during the FY 1996 budget process by the State Legislature. By consolidating 15 separate state aid

⁵ The estimate of \$6,951,493 is based on the State Aid Certifications for FY 2008. The proposed City budget for FY 2008 estimates over \$11,000,000 in revenue from the energy receipts tax program. The reason for this discrepancy is not known.

programs into one, the State intended to make aid more predictable and expedite the receipt of funds at a local level.⁶ Municipalities receive CMPTRA in installments throughout the fiscal year.

The FY 1996 State appropriations act established CMPTRA to each municipality at the combined levels of the 15 separate aid programs⁷ for the FY 1995 budget. For subsequent years, CMPTRA was intended to be adjusted for inflation.⁸ Since FY 2002, however, the amount of CMPTRA received by Camden and other municipalities has actually declined as the State has routinely frozen or reduced CMPTRA in response to fiscal challenges. The total amount of CMPTRA awarded by the state in FY 2008 is \$710,695,411. Table 2 illustrates the top municipal recipients of CMPTRA.

Table 2: Top Municipal Recipients of CMPTRA, FY 2008

Municipality	Amount of CMPTRA Received
1. Newark	80,900,890
2. Camden	48,281,753
3. Trenton	47,365,361
4. Jersey City	44,483,346
5. Paterson	32,836,141

Source: Department of Community Affairs, Division of Local Government Services, State Aid Certifications.⁹

2-B. The Energy Tax Receipts Property Tax Relief Fund was enacted by the Legislature for FY 1998 and adjusted how the State appropriated tax payments it received from utility companies.¹⁰ These funds were also intended to be adjusted for inflation. For the State fiscal year 2006 and 2007 budgets, the legislature increased the energy tax receipts distribution, but reduced the amount of CMPTRA to each municipality by the same amount, meaning that the total amount of formula aid to each municipality remained the same. Reducing CMPTRA while increasing energy tax receipts aid is also part of the State's FY 2008 budget. The total amount of energy receipts tax payments to municipalities is \$913,355,396 in FY 2008, or about \$200,000,000 higher than CMPTRA payments.

⁶ *A Path Forward for Camden*, McKinsey Co. for Annie E. Casey Foundation, 2001.

⁷ For more details on some of the programs that were incorporated into CMPTRA, see Senate Bipartisan Task Force on Municipal Aid Reform, *Interim Report and Policy Recommendations*, January 1995. The recommendations of this task force were not fully adopted, but this report provides some useful background information on state aid prior to FY 1996. This report is available at <http://www.njleg.state.nj.us/legislativepub/reports.asp#Local>. Criteria for these aid programs varied widely: some programs were appropriated based on property tax values, some on a per capita basis, and some based on other criteria.

⁸ P.L.1995, c. 164, approved June 30, 1995, 1995 Senate No. 4000, p. 203-204

⁹ Available at <http://www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml>

¹⁰ P.L.1997, c.167, A28241R

Table 3: Top Municipal Recipients of Energy Tax Receipts Relief, FY 2008

Municipality	Amount of Energy Tax Receipts Relief Received
1. Jersey City	35,849,208
2. Newark	29,308,801
3. Linden	23,429,585
4. Woodbridge	21,669,435
5. Hamilton	19,318,503
18. Camden	6,951,493

Source: Department of Community Affairs, Division of Local Government Services, State Aid Certifications.¹¹

2-C. Legislative Initiative Municipal Block Grant funds are awarded annually by the State to all municipalities in the State, based on population. Although the name implies that these funds are discretionary at the direction of the legislature, these payments have remained constant for the last five years.

2-D. Municipal Homeland Security Assistance began with the FY 2005 budget. The largest municipalities in the State of New Jersey each receive \$140,000 annually.

2-E. Municipal Property Tax Assistance is one-time assistance in the FY 2008 State budget to all municipalities in the State, allocated on a formula basis.

Taking the sum of all of these programs yields a portrait of the formula aid appropriated by the State of New Jersey, as illustrated in Table 4.

Table 4: Top Municipal Recipients of Total Formula Aid, FY 2008

Municipality	Amount of Formula Aid Received
1. Newark	113,766,374
2. Jersey City	83,085,116
3. Camden	56,864,869
4. Trenton	54,252,321
5. Paterson	40,871,478

Source: Department of Community Affairs, Division of Local Government Services, State Aid Certifications.¹²

¹¹ Available at <http://www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml>

¹² Available at <http://www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml>

3. State Aid - Special**\$61,790,943**

The total of local revenues and formula state aid received by the City of Camden has remained at around \$90 million for the past five years. However, during this period, salary expenses and other costs have increased by 5 -10% per year. In order to meet its obligations, the City is dependent on special state aid funding, as are other municipalities throughout New Jersey.

The amount of special state aid (or one-time budget fixes) must be negotiated between City Council, the Camden Chief Operating Officer, DCA, the Governor's Office, and the State Legislature. This negotiation has led to delayed budgets and outcomes including:

- ➔ The FY 2004 budget included a one-time revenue item of \$13.9 million from sale of the city's tax liens through the Tax Lien Financing Corporation. Although this budget was approved on June 30, 2004, the last day of the fiscal year, as former Chief Operating Officer Randy Primas noted, "This revenue never came in. Additionally, the ultimate action of a bulk lien assignment has still not occurred as of October 2006 due to the TLFC Board not meeting."¹³ Not receiving this revenue resulted in an \$8.5 million cash deficit for FY 2004.
- ➔ The FY 2005 budget required \$8.5 million in "Extraordinary Aid" and \$36 million in "Rehabilitation Aid." \$8.5 million of these funds was required to alleviate the cash deficit of the previous fiscal year. The City passed its FY 2005 budget on June 30, 2005. The State did not approve the special state aid required to balance the budget until a special session on July 8, after the fiscal year had already ended.
- ➔ The FY 2006 budget required \$47 million in "Distressed Cities Aid." The State attached certain conditions to receipt of this aid, including signing a memorandum of understanding regarding oversight of municipal operations. City Council approved a budget on June 30, 2006. This memorandum was not signed until December 2006, nearly six months after the end of the fiscal year.
- ➔ The FY 2007 budget was not passed until the end of FY 2007. DCA insisted that the amount of special state aid be kept constant at the FY 2006 level of \$47 million. The City was able to keep the required aid constant only through the use of one-time transfers from other funds and special circumstances relating to the structure of pay periods for City employees.
- ➔ The FY 2008 budget is the first City budget in memory to be introduced by the statutory deadline in August. This budget calls for a substantial increase in special state aid, raising the total amount required to over \$61 million. The final amount of special state aid in the FY 2008 budget will need to be negotiated between DCA and the City.

About 1 in 7 municipalities throughout the state received some sort of special state aid to help balance their budgets in FY 2007. Most of these municipalities received less than \$1 million

¹³ *Progress Report, Municipal Rehabilitation and Economic Recovery*, Melvin R. Primas, Jr., November 2006.

through the Extraordinary Aid program, including Voorhees and other towns in Camden County.¹⁴

Special state aid has been noted as "Extraordinary Aid" or "Rehabilitation Aid" on City of Camden budget documents and audits. According to Mr. Primas, the MRERA legislation meant that he reported directly to the Governor, and that Camden was eligible to receive Rehabilitation Aid as part of the Camden recovery effort.¹⁵ Differences between Mr. Primas and the DCA in interpretation of the MRERA led to his resignation.

The DCA ruled during the 2006 budget process that the City falls under the provisions of the Special Municipal Aid Act. This act is "designed to assist municipalities that are facing the most sever fiscal conditions to recover from fiscal distress and to improve management and financial practices."¹⁶ For FY 2007, Asbury Park, Bridgeton, Camden, Ewing, Harrison, Paterson, and Union City received funding under this program.¹⁷ Camden's appropriation has been the largest among these municipalities since FY 2004.

Special State Aid in the FY 2008 State Budget

The State budget for FY 2008 (which began on July 1, 2007) contained over \$250 million in special state aid appropriations for municipalities throughout the State, including Camden¹⁸:

Extraordinary Aid: \$34 million

Primarily smaller payments to ~80 municipalities throughout the State.

Special Municipal Aid: \$153 million

Continuing a practice it began with the FY 2007 budget, the State approved money in advance for FY 2008 for the Special Municipal Aid program. In theory, this advance appropriation could allow municipalities an opportunity to plan collaboratively with the State in preparing their budgets for FY 2007. Based on conversations with the DCA and City officials, it does not appear as if changing the way in which funds were appropriated had any meaningful impact on Camden's budget process for FY 2007. For the FY 2008 budget, the City met the statutory deadline for introduction, but the degree of coordination and cooperation with DCA remains to be seen.

Trenton Capitol City Aid: \$37.5 million

Prior to FY 2004, Trenton was one of the municipalities considered by DCA to be under the purview of the Special Municipal Aid Act. From FY 2004 to FY 2007, Trenton received \$16.5 million annually under a separate program: Trenton Capitol City Aid. This appropriation was increased to \$37.5 million in the FY 2008 budget.

¹⁴ See <http://www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml>

¹⁵ *Progress Report, Municipal Rehabilitation and Economic Recovery*, Melvin R. Primas, Jr., November 2006, p. 10-11.

¹⁶ 52:27D-118.24. See NJ Office of Legislative Services, "Analysis of the New Jersey Budget, Fiscal Year 2005-2006, Department of Community Affairs" p. 28-29. Available at <http://www.njleg.state.nj.us/legislativepub/budget/dca06.pdf>

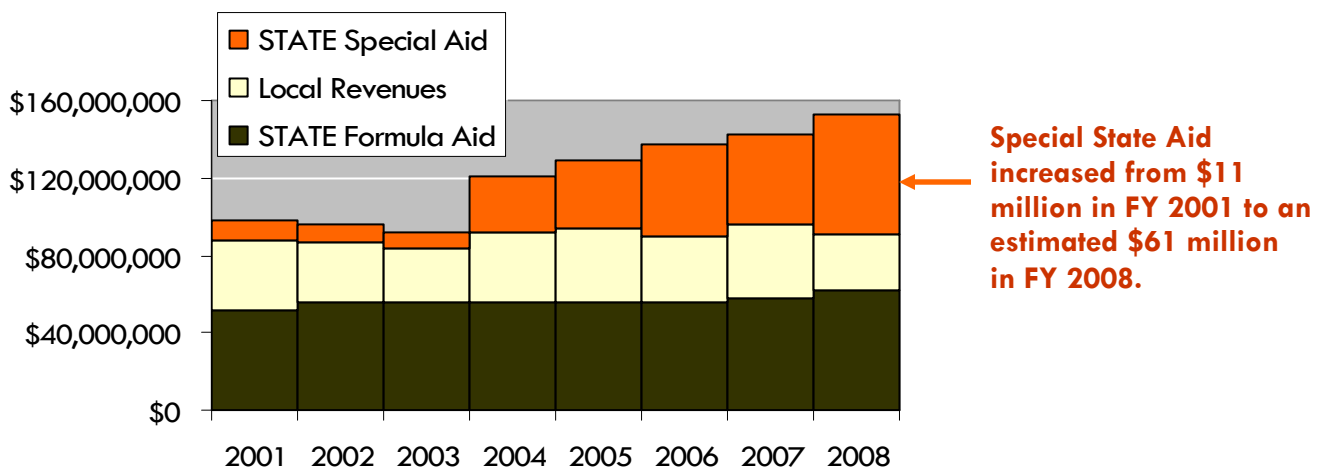
¹⁷ NJ Office of Legislative Services, "Analysis of the New Jersey Budget, Fiscal Year 2007-2008, Department of Community Affairs"

¹⁸ State of New Jersey, FY 2008 Budget (S3000). Also see *Governor Corzine's Signing And Veto Statement On Senate Bill No. 3000*, available at <http://www.state.nj.us/governor/news/news/approved/20070628b.html>

REVENUE TRENDS FOR THE CITY OF CAMDEN, FY 2001-2008

As mentioned throughout this analysis, growth in local revenues and formula state aid has not kept pace with growth in expenses for the City of Camden. This expense growth is largely attributable to contractually-mandated salary increases and higher health care and pension costs, as shown in Section 2 of this report. As a result of these cost increases, the City has been forced to rely to an increasing degree on special state aid to balance its operating budget. Figure 1 illustrates the shifts in composition of the City's revenue since FY 2001.

Figure 1: Revenue Trends in Camden's Budget, FY 2001-2008



Notes:

1. State Special Aid is intended to illustrate the City's structural deficit, and as such includes one-time revenues, such as the anticipated funds from the tax lien financing corporation that did not materialize in FY 2004.
2. Between 2001 and 2003, contractual raises for the City's employees were frozen due to arbitration. When the arbitration was settled, the employees were awarded retroactive pay increases. According to the former Chief Operating Officer, "Awarding retroactive contracts artificially reduces budgets during the time of impasse and causes a spike in the succeeding budget when the wages of employees are indexed by 5 years of retroactive increases in one year."¹⁹
3. State Special Aid was \$12 million in FY 1999 and \$13.5 million in FY 2000.

¹⁹ *Progress Report, Municipal Rehabilitation and Economic Recovery*, Melvin R. Primas, Jr., November 2006, p. 80.

EXPENSES

As noted in the revenue analysis, since fiscal year (FY) 2001, the revenues from local sources and formula state aid have not kept pace with rising costs. As a result, the amount of special state aid needed by the City government has increased from \$11 million annually to \$47 million annually.

There are several causes that are primarily driving growth in the City's operating expenses:

- ☐ Salary increases in the Police and Fire departments
- ☐ Increasing benefit costs, including health care and pensions

Other expenses are increasing as well, but these are the largest categories in the City budget, as shown in Table 5. For a comparison of Camden's revenues and expenses with those of Trenton and Newark, refer to Appendix A of this report.

Table 5: Summary of Major Camden Expenses, FY 2006-2008

Cost	FY 2006	FY 2007	FY 2008
Salary Expenses	\$81,000,000	\$79,000,000	\$83,000,000
Benefits / Fringe	\$29,340,000	\$33,834,000	\$40,827,000
Other Costs – Debt Service, Trash Collection, etc.	\$26,100,000	\$27,546,000	\$30,036,000

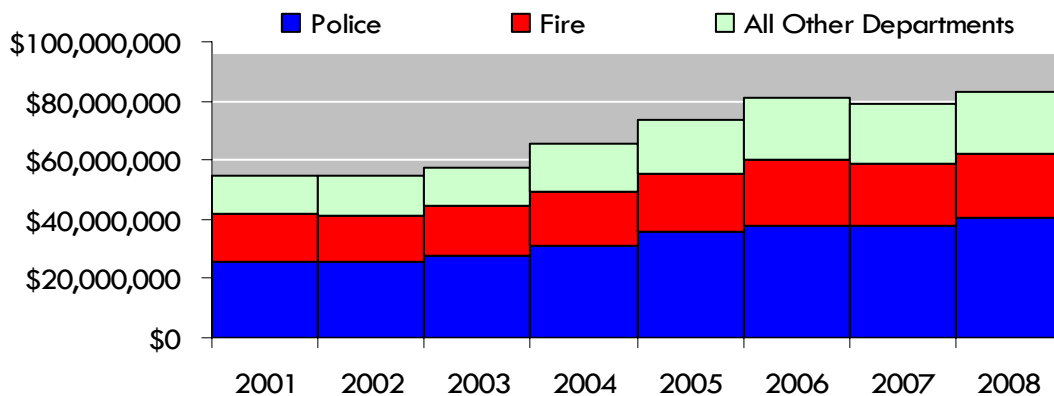
1. Salary Expenses	\$83,000,000
1-A Police Salaries	\$ 40,656,102
1-B Fire Salaries	\$ 21,795,252
1-C Salaries – All Other Departments	\$ 20,672,381

Salary and benefit expenses represent the bulk of municipal spending. The two largest departments in the City of Camden are the Police and Fire Departments, which account for nearly 2/3 of the City's workforce, and about 3/4 of its salary expenditures. Figure 2 illustrates trends in salary expenditures for the last six years.

During this period, the City went through several contract negotiation cycles with municipal workers' unions. From January 2000 through December 2004, the City had no union contracts in effect as negotiations were deadlocked in arbitration. At the end of FY 2003, the arbitrator awarded retroactive back pay to the unions for the previous three years, to be paid in FY 2004. This decision resulted in significant increases in salaries in FY 2004 and beyond.²⁰

In spring 2005, the City and the unions agreed on a new contract with minor changes through December 31, 2008. This contract included a one-time payment of \$1,500 to each employee in 2005 and annual salary increases ranging from 2% to 4% in subsequent years.

Figure 2: Camden Salary Expenditures, FY 2001-2008



1-A. Police Salaries are the largest single component of the municipal budget, totaling over \$40 million in FY 2008. Although police costs have increased, the size of the department fluctuated in the last ten years, increasing for a time before decreasing between 2003 and 2005, as shown in Table 6.

²⁰ *Progress Report, Municipal Rehabilitation and Economic Recovery*, Melvin R. Primas, Jr., November 2006, p. 80.

Table 6: Number of Employees in the Camden Police Department

Calendar Year	Total Employees
1997	432
1998	449
1999	443
2000	463
2001	478
2002	492
2003	520
2004	511
2005	500

Source: NJ State Police, Uniform Crime Reports²¹

Note: Of these employees, approximately 15% are civilian employees and not officers. This ratio is comparable to other cities in New Jersey.

In 2005, Camden had more police employees per capita than other cities in New Jersey. Camden had one police employee for every 160 residents. By comparison, Newark had one police employee for every 181 residents, while Trenton had one police employee for every 208 residents. Paterson had one police employee for every 277 residents.

1-B. Fire Salaries are projected to account for nearly \$22 million in spending in FY 2008. The use of overtime in the fire department became a flash point in March 2007 when Interim Chief Operating Officer Judge Theodore Davis halted overtime payments in City departments. In response, Fire Chief Joseph Marini temporarily shut down a city firehouse, arguing that overtime staffing was necessary to maintain a functional staffing level. The Fire Department's argument is that it is cheaper to pay overtime to firefighters than to hire new ones along with the associated benefit costs. Still, the City has hired over 20 new firefighters in the past year to help alleviate the need for overtime, bringing the total size of the department to about 250.

The media coverage of the conflict between Judge Davis and Chief Marini brought forth several points²²:

- ☐ Over \$5.5 million (25% of all fire department salaries) was overtime in FY 2006.
- ☐ Forty-seven fire department captains were paid more than \$100,000.
- ☐ The average wage for an employee of the Camden fire department in FY 2006 was nearly \$90,000, including base salary and overtime, but not including benefits.
- ☐ Overtime costs in the fire department for the current fiscal year (FY 2007) are budgeted at \$2.8 million.

²¹ Available at <http://www.njsp.org/info/ucr2005/index.html>

²² Greenblatt, Sarah. "City fire captains get \$1.9M in OT," *Courier-Post*, March 16, 2007.

In 2005, Camden also had more fire employees per capita than other cities in New Jersey. Camden had one fire employee for every 321 residents. By comparison, Trenton had one fire employee for every 372 residents, while Newark had one fire employee for every 458 residents.

1-C. Salaries in Other Departments are projected to total slightly less than \$21 million in FY 2008, less than the cost of the fire department. The largest department besides Police and Fire in the City is Public Works, which has about 125 employees. Other departments in the City, including Development and Planning, Finance, Administration, Code Enforcement, and Health & Human Services have fewer than 50 employees apiece. Salaries in these departments have also increased in the past 5 years, but because these departments are much smaller than the Police and Fire Departments, increasing costs do not have as much of an impact on the City budget.

2. Benefits / Fringe	\$40,827,000
2-A Health Insurance	\$ 20,757,000
2-B Pension Contributions	\$ 14,000,000
2-C Social Security (OASI)	\$ 3,000,000
2-D Worker's Compensation	\$ 2,750,000
2-E Compensated Absence Liability	\$ 500,000

2-A. Health Insurance costs have increased by \$7.9 million since FY 2001, or a 61% increase. This increase reflects a national trend of increasing health care costs for both municipalities and private employers.

According to the City’s Employee Benefits Manual, the City is self-insured, but its benefits program is administered by Aetna.²³ These costs can be expected to continue to increase along with State and national trends.

2-B. Pension Contribution payments have increased from zero in FY 2003 to \$14 million in FY 2008. These payments are mandated by the State and have been phased in so that the City is paying 100% of its share. According to former COO Randy Primas, “due to the success of the pension fund in the bond market, the city did not have to pay into the municipal pension fund in FY 2003. The success of the pension fund was short lived and beginning in FY 2004, municipalities were required to pay into the fund again.”

²³ Municipal Personnel Policies, available at http://www.ci.camden.nj.us/departments/personnel_toc.htm

3. Other Costs	\$30,036,000
3-A Debt Service	\$8,542,000
3-B Other Departmental Expenses	\$7,244,000
3-C Trash Collection	\$6,000,000
3-D Miscellaneous	\$3,900,000
3-E Utilities / Street Lighting	\$4,350,000

3-A. Debt service costs remained around \$8.5 million in FY 2007 and FY 2008, following several years of increases that reflected the City's additional bonding to pay for the retroactive salary increases awarded to city workers in FY 2004.²⁴ Unlike wealthier municipalities, the City does very little bonding to pay for capital projects.

3-B. Other Departmental Expenses include miscellaneous expenses associated with each department. The Department of Administration has the largest share of these other departmental expenses, for costs such as fleet management (\$1.2 million combined for purchasing and maintenance in FY 2007), and professional service costs. For other departments, such as Police and Fire, other expenses include uniform and equipment costs, professional services, and operating materials. Across all departments, the total cost for professional services was \$1.4 million in FY 2006.

3-C. Trash Collection is listed under the Public Works section of the budget. The City contracts with a private trash hauler (Waste Management) for residential garbage collection. These expenses were between \$4 and \$5 million annually for several years prior to FY 2007, when they increased to nearly \$6 million.

3-D. Miscellaneous costs include items such as undefined deferred charges and statutory expenses, aid to the public library and Camden Redevelopment Agency, and general liability insurance for the City.

3-E. Utilities / Street Lighting costs are divided between the costs of utilities for City buildings (reflected in the Department of Administration budget) and the costs for electricity to light City streets (reflected in the Public Works budget).

²⁴ Ibid, p. 81

OUTLOOK / CONCLUSION

For the first time since FY 2003, the amount of special state aid required to balance the municipal budget did not increase in FY 2007, remaining at the FY 2006 level of \$47 million. In order to achieve this objective, the City relied on several one-time sources of revenue, including a transfer of \$5.1 million from the General Capital Fund and \$1.9 million from the Grant Fund. In addition, the City held an accelerated tax sale before the end of the fiscal year to raise additional funds. Also, salary costs did not increase between FY 2006 and FY 2007, because of the manner in which the City's pay cycle had been structured. Still, health insurance costs increased by over \$2 million.

In FY 2008 and beyond, the amount of special state aid required will increase for the same reasons it has increased in most previous years: increasing salary and benefit costs without corresponding increases in tax revenue or revenues from PILOTs.

There were signs of improvement in the budget process between the State and City in the development of the FY 2007 budget. The State approved special state aid funding for FY 2007 at the beginning, rather than at the end, of the municipal fiscal year. However, while the total amount of funds in the program (\$94.7 million) was widely publicized, the amounts in the State budget targetted for each municipality were not made widely available. Although the special state aid funding was approved in advance, the relationship between the State and City reflected the process of previous years, in which the City and State negotiated over the amount of special state aid throughout the municipal fiscal year.

For FY 2008, the City has introduced its budget in a timely fashion. If the budget is approved by City Council and DCA, this would be a noticeable improvement and would allow for the City to hold departmental managers accountable for spending targets approved at the beginning, rather than at the end, of the current fiscal year. Even with the most optimal budget process, the amount of local tax revenue received by the City is so low that achieving a truly balanced budget without special state aid will be impossible for the foreseeable future. Indeed, in the FY 2008 budget alone, the amount of special state aid is projected to increase from \$47 million to over \$61 million.

Camden's Fiscal Outlook

APPENDIX A: Comparison of Elements of Camden's Budget with Other Municipalities in New Jersey

FY 2006 Budgets	Camden	Trenton	Newark
Population (2005 estimate)	80,125	85,566	281,063
Current Property Tax Payments	<i>15,667,230</i>	<i>41,748,125</i>	128,556,584
State Formula Aid	55,756,081	53,194,357	109,877,948
State Special Aid	<i>47,000,000</i>	<i>16,500,000</i>	24,000,000
Police Salaries	38,105,661	36,545,014	130,898,481
Number of Police Employees	500	412	1,664
Fire Salaries	22,092,641	23,332,926	55,274,422
Number of Fire Employees	250	230	614
Employee Health Care	18,600,000	23,918,455	75,680,000

Note: FY 2008 introduced budget figures were not available for Trenton and Newark.

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APPENDIX B: References

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