The Budget Report
The City of Camden’s Fiscal Environment
2001-2010
Draft
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Introduction

In one sense, Camden’s budget is easy to understand. Costs are rising. Total revenue is falling. The tax base is small. The long decline of State and Federal support for cities has accelerated under the pressure of the weak national economy and a shrinking definition of the public sphere.

…but Camden’s relationship to the State makes the budget more complex. The State takeover of the City that began in 2002 with talk of collaboration, accountability, oversight, governance reform, and investment has all but ended in 2010, having delivered only investment. The $145.2 million outlay to date leveraged hundreds of millions more in public and private funds for important institutions and amenities but left difficult organizational, human, and infrastructural issues essentially untouched. In the meantime, eight years without robust local control of its affairs has changed the political culture of the City in ways that are difficult to measure. While the diagnosis of political shifts is beyond the scope of this report and the essentially neutral, educational mission of CamConnect, the City’s recent political history cannot help but inform any study of Camden’s fiscal management. The budget offers a record where that history and its effects can be read.

This report is a user’s guide to the Camden City budget. It puts the “easy to understand” realities of Camden’s ongoing fiscal crisis into a larger geographic and historical context. It provides a common set of numbers, clears away many distracting details and focuses instead on a few key questions:

- Where does the money go?
- Where does the money come from?
- What drives the persistent deficit?
- What would it take for Camden to reduce its dependence on special State aid?
- Is the City (government, employers, and citizens) getting a fair deal from payments in lieu of taxes?
- How big are the City’s unmet needs, really? Over the past 10 years, the State has contributed $397 million in “special” aid of the kind reserved for a handful of the largest post-industrial urban centers, beyond what it grants to all New Jersey municipalities. Special State aid fills the structural deficit, the persistent gap between what the City spends and what it brings in from other revenues.

How to read this report: To answer the questions above, this report adheres to a few simplifying conventions.

We only examine the money required for normal departmental operations, the City’s “CurrentFund.” We exclude funds for utilities or capital projects except when these funds affect the Current Fund. We exclude “public and private revenues offset with appropriations,” otherwise known as grants.

Highly variable grant revenues are only obtained for specific projects and cannot be used to balance the operating budget.

To allow accurate comparison over time, all dollar values derived from City and State documents are adjusted for inflation to year-end 2009 dollars using the US Bureau of Labor Statistics’ consumer price index for Northeastern Urban areas.

We display all graphed dollar values in millions (“m”), unless otherwise stated.

1 The Economic Recovery Board for Camden Annual Program Report, 2010 (ERB) p.1
2 Inflation adjusted from the last 10 years of City budgets
3 Total nominal investment through February 2010, reported in The Economic Recovery Board for Camden Annual Program Report 2010 (ERB) p.1
5 2009 is the latest available full-year inflation index. Inflation causes fixed amounts of State aid to be worth less today than they were in the past because costs continue to rise. Using 2009 dollars may over or understate the fy09 - fy10 change slightly, by far less than a tenth of a percent or about -$160 per $1 million.
How is the report organized?
Historically, the large structural revenue shortfall, slow State appropriation process, and, more recently, the Municipal Rehabilitation and Economic Recovery Act, which prohibited local tax increases, have forced the City’s budgeting process to be driven by expenditures rather than revenues. The City tells the State how much aid will be needed to balance the budget after local revenues and operating expenses are considered. The State responds with its own proposal, and negotiations proceed. Following the same framework, we first discuss where the money goes. Then we examine revenue and its three main components in order of descending size: special State aid, formula state aid, and locally raised revenues, attempting to answer “Where does the money come from, and why are local revenues not enough?” The local revenue discussion examines the limitations of Camden’s property tax base and the City’s use of Payments in Lieu of Taxes (PILOTs) agreements as tax alternatives, comparing Camden to a group of peer and neighbor municipalities along the way.

How was this report created?
Information about Camden’s budget is not easy to find. The City’s online electronic document repository contains fax-quality copies of fy1992-’95, ’07-’08, ‘09-’11 budgets, which cannot be downloaded, searched, or copied and can only be viewed with one’s head held at a 90˚ angle, one page at a time. CamConnect was forced to obtain hundreds of pages of paper and electronic documents through repeated Open Public Records Requests to the City Clerk’s Office. This report would have been impossible without their friendly assistance. Where possible, all dollar values derive from the final amounts received or paid as listed in official, amended City budgets. In many cases, where these data were incomplete, unreadable, or unavailable, figures were drawn from the official, published audits of the budget, records downloaded from the NJ Department of Community Affairs Division of Local Governmental Services, County tax records, or unpublished reports provided via OPRA requests made to the Camden Tax Assessor and Bureau of Payroll. In some key instances, figures from audits, DCA, tax records, and the budget, do not appear to agree. Where consistent values from a single source could not be used we note the discrepancy. All together, a clear picture of Camden’s finances in the past decade required the consideration or analysis of some 8,900 pages of documents including tens of thousands of property tax and payroll records.
Where does the money go?

The total size of Camden’s operating budget has grown 26% after inflation, from $134 million in 2001 to $169 million in 2010, an average of 2.62% per year. While an increase of $35 million is large in absolute and per capita terms, and year-to-year swings of expansion and cuts have been very erratic, Camden’s spending growth is actually somewhat slower than the 2.84% average annual growth rate in 2008 and ’09 for all NJ municipalities15.

Pay and Staffing

top 5 departments by fy10 pay

<table>
<thead>
<tr>
<th>Department</th>
<th>Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>$39,520,709</td>
</tr>
<tr>
<td>Fire</td>
<td>$21,517,620</td>
</tr>
<tr>
<td>Public Works</td>
<td>$6,737,387</td>
</tr>
<tr>
<td>Finance</td>
<td>$2,239,578</td>
</tr>
<tr>
<td>Administration</td>
<td>$1,966,445</td>
</tr>
</tbody>
</table>

As with most organizations, employee compensation is the largest single category of expense in the budget, consuming 47% of funds in fy2010. Just over a ¼ of all budget growth in the decade has been due to increased total compensation, which rose an average of 1.46% per year. The Police and Fire Departments, in turn, are the largest components of the 1,562 person municipal workforce (at 32% and 15% respectively).16

The sizes of the police and fire departments have fluctuated by ±0 to 32 people from year to year through the decade in response to changes in deployment strategy and cost concerns. Overall each has grown by just over 30 staff members. The police department is 20% larger than the national average for major city departments. The fire department is 20% larger than the national average for major city departments.

average employee pay ($ thousands)

<table>
<thead>
<tr>
<th>Department</th>
<th>$120k</th>
<th>$105k</th>
<th>$69k</th>
<th>$65k</th>
<th>$37k</th>
<th>$24</th>
<th>$79</th>
<th>$85</th>
<th>$92</th>
<th>$90</th>
<th>$85</th>
<th>$18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

average change in pay 2001-2010

<table>
<thead>
<tr>
<th>Department</th>
<th>total department</th>
<th>per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>3.43%</td>
<td>2.41%</td>
</tr>
<tr>
<td>Fire</td>
<td>0.67%</td>
<td>-2.06%</td>
</tr>
<tr>
<td>Other</td>
<td>3.74%</td>
<td>-8.81%</td>
</tr>
</tbody>
</table>


16 Staffing totals refer to the number of unique persons employed in the Fire Department, Police Department, or all other departments combined per fiscal year. This undercounts the number of distinct job titles, as many employees hold multiple posts, often in different departments.

The majority of these auxiliary positions, however, is short term summer recreation program positions. A few employees hold as many as 5 titles in a given fiscal year, but never more than 2 salary positions. From available data, it was not possible to compute full-time equivalents. All staffing level data are drawn from the City’s payroll system. Police salary and employee totals do not include the Traffic Control division or Animal Control, both of which are paid at lower rates, and Animal control moved between three different departments during the decade. The sudden 346 person increase in “other” departments above their trend in fy2005, which had disappeared by fy2008 was due to the short lived Municipal Drug Alliance, and a jump in summer recreation program staff.

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department is 17% larger. Average pay including overtime in the police department ($78,555) has risen 1.4% faster than inflation while falling by -1.5% in the fire department (to $91,956). Because New Jersey has the nation’s highest median police salary ($90,672), however, Camden's apparently high pay rates recently ranked only 34th in the State. The city's median salary for officers is just dollars below the county’s overall rate ($79,686). These two departmental budgets, including non-salary expenses, grew slower than the departmental budgets, including non-salary expenses. In February of 2003, contractual raises with the Police and Fire unions was deadlocked and contractual raises were frozen. In February of 2003, a state appointed arbitrator awarded retroactive annual raises of 3.5% to the unions for the previous three fiscal years through 2004, all to be paid in fy2004. This was less than demanded by the unions and far more than offered by the City. Despite stipulating that: “Financial relief is necessary during the period of the City’s recovery which the record reflects will be a gradual one,” the arbitrator ultimately based his ruling on the assertion that “…the Award will not have adverse financial impact on the City, its residents and taxpayers” because he believed past experience showed that the State had filled Camden’s budget deficits for many years and would continue to do so for the foreseeable future. In April 2005, the City and unions negotiated new contracts through the end of calendar year 2008 (later extended through cy2009) with a complex raise structure that outpaced in 1.2% annually. Due to very generous and loosely administered severance and leave provisions, and extensive use of overtime, however, the cost of pay continued to rise at a higher effective rate than the contracts would suggest.

All other departments combined have grown by 77% in the last 10 years, despite a 340 person drop from their fy2005 peak. Most of the growth has been in lower-pay, short-term or hourly personnel, leading to a 4.6% drop in average real pay per employee, in the midst of 3.74% growth in total real pay expenditures for the same departments.

## Employee Benefits

At $48.7 million and an average annual growth of 8.4% above inflation, “Fringe” benefit costs are the fastest growing category of expense in the budget over 1 million dollars. Fringe and pay together represent more than ¾ of the operating budget, and fringe costs have more than doubled in the decade. Unlike the particulars of police and fire direct compensation, this situation is not unique to Camden. Nonetheless Camden’s growth rate for pension costs in the last two years has been less than 1.5% in the first two years.

<table>
<thead>
<tr>
<th>Fringe Expenditures</th>
<th>fy09</th>
<th>fy10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Insurance</td>
<td>$23,254,752</td>
<td>$25,129,407</td>
</tr>
<tr>
<td>Pension Contributions</td>
<td>$12,572,410</td>
<td>$15,265,608</td>
</tr>
<tr>
<td>Police and Firemen's Retirement System of NJ</td>
<td>$10,828,662</td>
<td>$12,564,866</td>
</tr>
<tr>
<td>Public Employee's Retirement System of NJ</td>
<td>$1,508,888</td>
<td>$2,419,182</td>
</tr>
<tr>
<td>Pension Increase - COLA for Retirees</td>
<td>$233,710</td>
<td>$267,000</td>
</tr>
<tr>
<td>Defined Contribution Retirement Program</td>
<td>$1,150</td>
<td>$1,386</td>
</tr>
<tr>
<td>Consolidated Police and Fireman's Pension Fund</td>
<td>$2,945,874</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>Worker's Compensation</td>
<td>$2,981,870</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Social Security System</td>
<td>$1,350,218</td>
<td>$1,291,250</td>
</tr>
<tr>
<td>Unemployment</td>
<td>$175,028</td>
<td>$175,000</td>
</tr>
<tr>
<td>State Disability Insurance</td>
<td>$46,207</td>
<td>$48,000</td>
</tr>
<tr>
<td><strong>total</strong></td>
<td><strong>$41,969,370</strong></td>
<td><strong>$47,368,015</strong></td>
</tr>
<tr>
<td>% of total budget</td>
<td>25%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### Total Fringe Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Health Insurance</th>
<th>Police &amp; Firemen's Retirement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td>$23.6</td>
<td>$2</td>
<td>$43.3</td>
</tr>
<tr>
<td>04</td>
<td>$16.5</td>
<td>$1</td>
<td>$17.5</td>
</tr>
<tr>
<td>06</td>
<td>$16.5</td>
<td>$1</td>
<td>$17.5</td>
</tr>
<tr>
<td>08</td>
<td>$43.3</td>
<td>$4</td>
<td>$47.3</td>
</tr>
<tr>
<td>10</td>
<td>$48.7</td>
<td>$5</td>
<td>$53.7</td>
</tr>
</tbody>
</table>

19 but exclude pensions and benefits which will be discussed in the next section
22 Mastriani, James W., Arbitrator. "New Jersey Public Employment Relations Commission Interest Arbitration Decision and Award" Dockets IA-00-93, IA-00-96, IA-00-102, IA-00-105, pp. 100-103.
than 1/3 of the State average. Health insurance cost growth matched the State and workers’ compensation has grown slightly faster. At these rates of growth, fringe expenses would surpass pay in 12 years.

Non-Employee-Related Costs

Other City operating expenses, encompassing a wide range of both departmental and stand-alone non-personnel costs, as a whole have decreased, though some of the larger components (particularly contracted trash collection, electricity and heating costs, bonding and insurance, and all capital costs such as facility maintenance, information technology, and facilities upgrades like the fy2008 $2.25 million city hall elevator project) have grown and will continue to do so in spite of some annual volatility. Their ongoing growth may soon reverse the category’s overall decline. The City resorts to bond sales infrequently compared to wealthier municipalities, generating a growing, but relatively modest debt service cost, though that too may change for the worse if State support diminishes.
When considering State support of Camden’s budget, it is relevant to distinguish between the three primary sources of City revenue.

**“Special” State Aid** is only available to about 12% of poorer municipalities—particularly the 8 or 9 most distressed urban centers—with their above-average concentration of public infrastructure to maintain and populations in need of higher levels of services.

**“Formula” State Aid** is awarded annually to all municipalities based on fixed criteria. It is largely composed of several taxes and fees which, at various points in the state’s history, were collected directly by local governments, but which are now collected by the State and returned to local jurisdictions. While special aid can be seen as a form of largesse from the State that may be more or less well justified depending on one’s political views and sense of the public benefit provided by the urban centers that receive it, much of formula aid was created as an administrative efficiency for the entities that fund it and the jurisdictions that receive it. It also provides the State with a degree of fiscal leverage over local governments.

Local revenue is the sum of all taxes, fees, fines, and investment income actually collected by the City. Each source is discussed below in order of decreasing size.

Why is Camden in such persistent need of revenue? Costs are not just rising; revenue is falling. Poverty in the City, in the context of weakness in the broader economy, has meant that local revenues continue to decline as the State copes with its own budget shortfalls. The history of these three revenue types falls into 3 phases.

**Phase 1:** From 2001 to 2004, formula State aid funded about half of the City budget, and local revenue accounted for just under 40%. Special State aid accounted for just 11%.

**Phase 2:** In 2004 Special aid under the MRERA legislation kicked in. In 2005, this “Municipal Rehabilitation Aid” quadrupled to $36 million, pushing total special State aid into parity with declining local revenue at roughly 1/3 each. CMPTRA, the largest portion of formula aid, has been decreased by State

### Three Phases in Revenue Composition

<table>
<thead>
<tr>
<th>Phase</th>
<th>Local Revenue</th>
<th>Special State Aid</th>
<th>Formula State Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>60%</td>
<td>11%</td>
<td>29%</td>
</tr>
<tr>
<td>2002</td>
<td>51%</td>
<td>38%</td>
<td>12%</td>
</tr>
<tr>
<td>2003</td>
<td>38%</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>2004</td>
<td>51%</td>
<td>38%</td>
<td>29%</td>
</tr>
<tr>
<td>2005</td>
<td>38%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>2006</td>
<td>38%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>2007</td>
<td>38%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>2008</td>
<td>38%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>2009</td>
<td>38%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>2010</td>
<td>38%</td>
<td>33%</td>
<td>30%</td>
</tr>
</tbody>
</table>

legislative action each year since fy2002, more than cancelling out CMPTRA’s annual inflation adjustment.

**Phase 3:** fy2008 was the final year of several formula aid programs (Supplemental Energy Receipts, Legislative Initiative Municipal Block Grants, and Municipal Homeland Assistance). fy2009 saw the reduction of other formula aid and the need for a $10.5 million infusion of new Special Municipal Aid to close the growing gap, ushering in the current phase in which Special Aid is the dominant source of income. Formula aid is declining faster than inflation, and local revenue is definitively the smallest revenue source.
One in nine municipalities throughout New Jersey received some sort of **special State aid** (either “Special Municipal Aid” or the more “temporary” “Extraordinary Aid”) to help balance their budgets in fy2010. Most of these municipalities received less than $600,000 through the Extraordinary Aid program. Eleven, including Camden, received $2 million or more.29

The amount of special State aid needed by the Camden City government has increased from $14 million in fy2001 to $59 million in fy2009 and up another 20% to a projected $67 million in fy2010. Camden’s share has been the largest in the state since fy2004.

Special state aid can be used as a rough 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, minus any cost cutting that the City is forced to perform. Newark, Harrison, Asbury Park, Paterson, Jersey City, Union City, Bridgeton, and Camden all relied on millions in special state aid in recent years, although only Camden operated under nominal State oversight.

Continuing a practice it began with the fy2007 budget, the State approved money in advance for fy2008 for the Special Municipal Aid program. In theory, this advance appropriation allows municipalities an opportunity to plan collaboratively with the State in preparing their budgets for fy2007. 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 fy2007 or fy2008.

Review of changes in anticipated year-over-year revenues and discrepancies between anticipated and received amounts revealed that anticipated budget figures are often “calculated” simply by copying the prior year’s received value into the current year’s “projected” column. For line items with constant or very small values, this practice works well. For fluctuating or highly uncertain items, it can lead to unanticipated shortfalls that increase the need for special State aid. For example, the NJ Adventure Aquarium was developed using State funds and sits on State land. The property pays a contractually agreed upon fee based on ticket sales in place of assessed property taxes. The facility began operating in March 2005 but did not pay its required levy until fy2008. At that point the Aquarium paid in full for the current year and the 40 months of delinquent fees it owed the City—$1,035,601. In the fy2009 budget, the City simply carried this amount forward, as if it would receive 52 months of payments every year. The resulting $705 thousand dollar “shortfall” was larger than the entire budget of many departments and divisions.

### special state aid top recipients fy10

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Special Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camden City</td>
<td>$67,000,000</td>
</tr>
<tr>
<td>Newark</td>
<td>$45,000,000</td>
</tr>
<tr>
<td>Trenton City*</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>Paterson</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>Jersey City</td>
<td>$14,000,000</td>
</tr>
</tbody>
</table>

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30 Fy2009 Municipal Audit, p.50
Camden is the recipient of the 3rd largest amount of Formula aid in New Jersey after Newark and Jersey City, and just ahead of Trenton.

top 5 cities by formula aid fy10

Newark $108,332,535
Jersey City $79,353,755
Camden $54,100,801
Trenton $51,556,909
Atlantic City $7,584,254

Prior to fy2009, formula aid was a collection of several programs that distribute revenue collected by the State from local entities to municipalities in the state. With a few one-time or short-term exceptions, the funds are distributed to all 566 New Jersey municipalities. In all cases, the aid is distributed based on fixed criteria. Unlike “special” state aid, municipalities do not need to apply, negotiate, or demonstrate need. Starting in fy2009, all other formula programs of more than nominal size were terminated, leaving only the two largest: Consolidated Municipal Property Tax Relief Aid and the Energy Receipts tax.

Consolidated Municipal Property Tax Relief Aid (CMPTRA)

CMPTRA was created by the State Legislature at the close of fy1995.31

By consolidating 15 separate state aid programs into one, the State intended to make aid more predictable and expedite the receipt of funds at a local level. Criteria for these aid programs varied widely. Some were appropriated based on property tax values, some on a per capita basis, and some based on other criteria. Once consolidated, aid was based on the highest of the prior 4 years of receipts.32 Municipalities receive CMPTRA in installments throughout the fiscal year. Since 2002, however, in spite of the addition of an annual inflation adjustment in 1999,33 CMPTRA has declined by an average of -4.6% per year.

The Energy Receipts Tax

The Energy Tax Receipts Property Tax Relief Fund was enacted by the Legislature for fy1998,34 adjusting the State’s disbursed tax payments it received from utility companies. From 2001 through 2006, Energy Tax receipts were held steady by inflation adjustment. For 2007, and 2008 the State increased the Energy Tax Receipts distribution to exactly offset cuts to CMPTRA. Camden received $13.6 million in energy receipts tax payments for fy2008, including a one-time State allocation for Camden.

discontinued formula aid

In addition to CMPTRA and the Energy Receipts Tax, the State legislature has created various smaller formula aid programs. Except for fy2006 and fy2008, these additional forms of formula aid always yielded less than $1 million for Camden’s budget. Among these smaller revenue source were:

- Reserve for Personal Business Property Tax (fy02 only)
- Legislative Initiative Municipal Block Grant (ends fy08)
- Supplemental Energy Receipts Tax (ends fy08)
- Municipal Homeland Security assistance (fy05 to 08)
- Municipal Property Tax Assistance (fy08 only)

All of the above had been eliminated by fy2009 or only existed for a single year. Not included in this analysis is the Garden State Trust, which continues through the fy10 budget, but amounts to less than two hundred dollars in additional funding for the City.

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Municipal revenue tends to grow or shrink in proportion to a population’s wealth or a municipality’s density of residents or businesses. Non-capital costs grow in direct proportion to the quantity of need. The result for Camden is cost that outpaces income. In New Jersey, where land is usually densely developed and tax rates are high, the primary source of municipal wealth is real estate tax. Camden is however becoming less dense, has a high rate of real estate abandonment, and a high rate of tax exempt property (exacerbated by its social service needs and role as the County seat). Below we examine the City’s income sources.

**Current Tax Payments**

Camden’s tax revenues are usually described as totaling “about $20 million.” When we examine the actual budget line item for local tax revenue, that often-quoted $20 million dollar figure reveals some budgetary sleight of hand. The line item is called “Local Tax Including Reserve” minus the Reserve. Each year the value of property used as the basis of the School and County tax share changes as buildings are demolished, constructed, or moved on and off the tax rolls through transactions with tax-exempt owners. In some cases, the tax rates for these jurisdictions also change as does the City’s real collection rate. Taxes are collected quarterly, but the Tax Reserve and assessed property value must be factored into the budget in advance.

**tax collection rate**

The effect is an annual shortfall or surplus (+$5.65 million per year over the decade). In effect, the share the City actually retains from its tax collection efforts is even smaller than it appears from this round $20 million figure. While “current tax payments”, once adjusted for inflation, appear to have been in decline since fy2004, actual tax income (marked “collected” in the accompanying graph) has risen steadily since fy2003, when collection rates hit a decade low of 67%. Real tax revenue peaked in fy2009 at $18.1 million. The apparent contradiction is the result of a diminishing tax “Reserve” set aside each year. Facing tighter budgets, the Reserve was reduced faster than real collections grew.

**Delinquent Tax Payments**

Delinquent tax payments are the delayed collection of overdue taxes from prior years. In July 2002, the City hired private financial services contractor Xspand to assist with the collection of delinquent taxes on its behalf and took out a $3 million loan against the anticipated collections in exchange for Xspand’s right to a service fee up to 25% of the value collected.

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36 NJ statutes Title 40A:3-40

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The City’s annual back tax collections doubled by fy2004 but had fallen back below previous levels by fy2006 as the outstanding value was steadily recovered. Based on official audits of City finances, Xspand identified over $6 million additional, and recovered some $12.1 million total, in overdue taxes. Xspand’s success in this arena also means that back taxes have been largely eliminated as a significant source of future revenue.

**Tax Lien Finance Corporation**

Distinct from outstanding taxes, Camden real estate is also burdened with thousands of municipal tax liens with a nominal value in the tens of millions of dollars. Liens are interest- and penalty-accruing legal obligations to pay unpaid taxes which must be satisfied before full title to a property can be sold. Because liens are obligations to pay, they reduce a property’s sale value even though they don’t affect its assessed value.

**value of city-held tax title liens**

In 2003, the Tax Lien Finance Corporation (TLFC) was established through state legislation to facilitate the sale of outstanding tax lien certificates. The quasi-state agency took control of 5,472 liens with a face value of $41.5 million, 27% of the value of the total budget at the time. Anticipated proceeds from lien sales were incorporated into the fy2004 budget as a one-time revenue item of $13.9 million. However, it was only in 2006 that the actual transfer of liens was finalized by act of council and Xspand was designated as the agent of the TLFC empowered to auction off the liens. The City used half of the $2 million it earned from the initial sale of the liens to the TLFC to enhance its capital budget and the other half to cover the legal costs associated with the sale itself, transferring value from its current account to its capital account. From fy2007 through fy2010 the City of Camden has received only $8.8 million in total revenues through Xspand’s sale of TLFC tax liens, far below initial expectations. Even those that have sold continue to undermine the real value of Camden’s tax base so long as the liens are not paid off or cancelled through foreclosure.

Roughly 2,000 liens, valued at $1.5 million, remained on the City’s books by fy2009, and thousands more are still unsold in the TLFC’s control. The city is weighing its options for managing these liens when Xspand’s contract, already extended twice, expires again this year.

**Host Community Benefits (impact fees)**

Fines and fees vary with enforcement changes, rising rates, and level of development activity, and rents and investment income vary with the economy ($400,000 each, at most). Generally Camden actually performed better than average in its investments and court revenue, but much worse in construction fees. The main source of variability in this revenue category, according to the 2009 Municipal Audit, p.50 and R-16 MC-06:21 20060112TLFCXspandResolution.pdf, is municipal court fines.

**Other Local Revenues**

Other local revenues include (in order of decreasing size):

- municipal court fines
- license, permit, & construction code fees and fines
- ad hoc transfers from other city funds
- utility operating surpluses
- investment interest
- rent from city properties

40 fy2009 Municipal Audit, p.50
41 R-16 MC-06:21 20060112TLFCXspandResolution.pdf

however, has been utility operating surplus (from 0 to $3 million annually) and the City’s periodic reliance on transfers from other funds to balance the budget (over $7 million in fy2007).

**Why is Camden’s tax income so low?**

While this report suggests many reasons why Camden has a growing structural deficit, problems on both sides of its ledger, and even past shortcomings of the budget process are attributable in large part to a lack of wealth. Camden has many assets, but taxable property wealth, the main source of municipal income in New Jersey, and all of the benefits that flow indirectly from such income, are not among them.

Unfortunately property and money are not smoothly interchangeable; problems that accrue from the lack of wealth manifest themselves in institutions, property, and people and cannot be neatly reversed with the reintroduction of funds. In other words, “money” does not automatically become “wealth” – as Camden’s receipt of large sums of Special State Aid clearly show.

To completely free itself of need for $67 million in Special Municipal Aid without drastic further cuts to personnel, capacity, and services, the City would have to more than quadruple its $7 hundred to $8 hundred million tax base to $3.5 billion.

Compared to other large New Jersey cities and the Camden County suburbs (see the graphs at right), Camden has the highest proportion of parcels (16%) and real estate value (58%) held by tax exempt owners, and the second lowest percent of commercial (12%, behind Haddonfield) and residential value (29%, behind Atlantic City, where the casino’s dominate).

The Municipal Rehabilitation and Economic Recovery Act (MRERA), originally passed in 2002, prevented the municipal tax levee (2.55% at the time) from being increased during the recovery period.43 In January of 2010, the recovery period was deemed complete, and Camden moved into the rehabilitation term. Subsequently, Mayor Redd’s introduction of the fy11 budget, included a provision to increase the municipal levee by 3%.44

43 P.L.2002, c.43 C.52:27BBB-27 a

Payments In Lieu of Taxes

Payments in Lieu of Taxes (PILOTs) are agreements between the City and various other external entities (both taxable and tax-exempt) establishing alternative payment plans to supplant property taxes. PILOTs are used by municipal governments across the country as both an incentive for luring private entities into urban areas and as a tool for recouping portions of lost revenue incurred from the higher volume of public and private tax-exempt entities generally found in urban municipalities. Only city council can negotiate these agreements (previously, during the economic recovery in tandem with the COO).

PILOT revenues represent the single line item of the city budget that has steadily increased and is likely to be a source of future growth.

Whereas tax revenues generated from other City properties must be shared with both the county and school district, PILOT revenues go almost entirely towards the municipality (beginning in 2003, municipalities are required to pay an annual fee to the county equal to 5% of the agreement’s yearly payment).
Property Tax Flow: Camden Captures 1.7% of Its Property Value

Even a diligent concerned citizen or government official could not be blamed for some confusion about Camden’s property taxes and the Payment In Lieu of Tax (PILOT) agreements that the City uses. Information from the City Tax Assessor indicates that a few of the agreements are “not on file.” Others do not clearly state the exact parcels covered by the PILOT, or indicate the incorrect property.

The tax levy itself is also somewhat unclear. Due, perhaps, to different methods, purposes, and filing deadlines, conflicting assessed, collected, reserved, and delinquent amounts can be derived from any fiscal year’s set of City budgets, independent audits, NJ Department of Community Affairs documents, and County tax records. Unfortunately no single, consistent source contains all of the numbers and rates required to paint a full picture of the City’s taxes. Audits suggest that $93m in assessed value is subject to PILOTs. Our analysis of City documents suggests that amount is closer to $109m.

The diagram below is an attempt to reconstruct the calculation of Camden’s property tax revenue using FY2009 numbers. At the far left, is the sum of Camden’s currently assessed property value. At the far right, is what the City actually collects. The bottom line shows the percent of total assessed value that each step represents.
Appendix A: Sources

News Articles

Municipal Documents
Municipal Budgets (FY01-10), Available at: <www.camconnect.org/budget>
Municipal Audits (FY01-09), Available at: <www.camconnect.org/budget>

External Reports
O’Hare, William P. “Why are young children missed so often in the census?” December, 2009. Available at: <http://www.aecf.org/~media/Pubs/Other/W/WhoAreYoungChildrenMissedSoOftenintheCensus/final%20census%20undercount%20paper.pdf>


**Legislative and Legal Agreements**


“City of Camden, the Fraternal Order of Police Lodge No. 1, and the Camden Organization of Police Superior Officers.” Available at: <www.camconnect.org/datalogue/moa_police.pdf>

“Collective Bargaining Agreement Between the City of Camden and the Camden Organization of Police Superiors.” Available at: <http://co-ps.org/pdf/contract.pdf>


NJ statutes Title 40A:3-40 (Legislation mandating full payments of county and school district tax levy)


**Data Sources**


Population Estimates (U.S. Census Bureau). Available at: <www.census.gov/popest/estimates.html>

Property Tax Records (Monmouth County Tax Assessor’s Office). Available at: <http://tax1.co.monmouth.nj.us/cgi-bin/prc6.cgi?menu=index&ms_user=glou&passwd=data&district=0801&mode=11>

State Aid to Municipalities (N.J. Department of Community Affairs, Division of Local Government Services). Available at: www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml

**links to all documents are available at:**

www.camconnect.org/budget