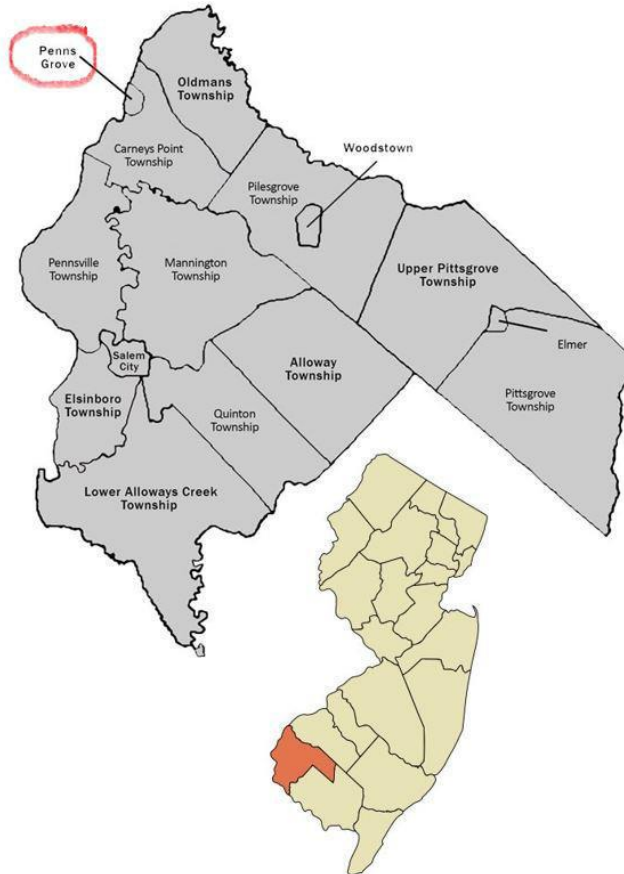


Penns Grove Fiscal Evaluation & Recommended Recovery Plan:

November 10, 2020



Prepared by: Edward M. Sasdelli, Penns Grove State Monitor, NJ DCA\DLGS

The information contained in this document was derived by reconstructing publicly available records: budgets, audits, LFB meeting transcripts, Borough resolutions and ordinances, discussions with local officials, site visits and personal observations.

Table of Contents

TITLE PAGE.....	1
BRIEF OVERVIEW OF PENNS GROVE BOROUGH.....	3
SECTION 1: ECONOMIC CONDITIONS	4
SECTION 2: FISCAL BUDGET CONDITIONS.....	6
SECTION 3: RECOVER PLAN/ROAD MAP FOR FUTURE.....	8
Step 1: Establish Senior Management Team.....	9
Step 2: Improve Revenue Collection (Property Taxes).....	11
Step 3: Expand the Tax Base.....	13
Step 4: Take Advantage of Shared Service Agreements.....	14
Step 5: Control/Reduce Spending.....	17
SECTION 4: CONCLUSION.....	18

Brief Overview of Penns Grove Borough



Penns Grove is less than one square mile and is located in Salem County, NJ and is surrounded on three sides by Carneys Point Township and on the fourth side by the Delaware River.

				Total	Number of
	Size	Population	Budget	Ratable Base	Households
Penns Grove	.9 sq/m	4,985	\$6.5M	\$137M	1,750

Penns Grove was incorporated on March 8, 1894 as a Borough form of government. It has not changed its form of government and continues to operate today under NJSA 40A:60-1 Borough Form of government consisting of a Mayor and six Council members. There are no wards, all elected officials are elected at large.

The purpose of this plan is to review the fiscal condition of the municipality, summarize the challenges facing the municipality and to recommend a road map to recovery.

Section 1: Penns Grove Economic Conditions

- Penns Grove is facing a number of daunting economic challenges
- Penns Grove has an annual recurring structural deficit. Structural revenue levels are too low to sustain basic municipal operations inducing a systematic reliance on State Transitional Aid.
- In 2019 the City received \$550,000 in State Transitional Aid. Without that “extra” State Aid the Borough would have to increase their tax rate by approximately 29 cents or a 13 percent increase in the local purpose property tax.
- Additionally, declining wealth has led to low tax collection rates resulting in more abandoned properties and foreclosures further exacerbating the fiscal instability.
- Out of 565 New Jersey municipalities, Penns Grove is listed number three on the Municipal Distressed Cities Index trailing only Salem and Winfield.

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)	
				Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value
Municipality	County	2017 MRI Index	MRI Rank																
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 township	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%

- The following charts will further show the economic challenges and how they compare to surrounding municipalities with similar economic challenges:

Population Decline	2016 Population	2010-2016 Change
Municipalities		
Millville	28,399	0.9%
Bridgeton	25,209	0.7%
Woodbury	10,024	-2.5%
Paulsboro	6,009	-2.6%
Penns Grove	4,985	-2.6%
Salem	4,931	-6.8%

	Median Household
Municipalities	Income
Woodbury	\$ 51,810
Millville	\$ 48,892
Paulsboro	\$ 42,154
Bridgeton	\$ 35,417
<i>Penns Grove</i>	<i>\$ 34,439</i>
Salem	\$ 26,419
	Per Capita
Municipalities	Income
Woodbury	\$ 28,359
Millville	\$ 24,804
Paulsboro	\$ 22,729
Salem	\$ 18,626
<i>Penns Grove</i>	<i>\$ 15,956</i>
Bridgeton	\$ 13,811

Municipalities	Poverty Rate
Millville	18.0%
Woodbury	20.3%
Paulsboro	29.2%
<i>Penns Grove</i>	<i>29.9%</i>
Bridgeton	30.4%
Salem	42.5%

Municipalities	Unemployment %
Woodbury	10.4%
Bridgeton	11.8%
Millville	12.2%
<i>Paulsboro</i>	<i>15.4%</i>
<i>Penns Grove</i>	<i>19.3%</i>
Salem	20.2%

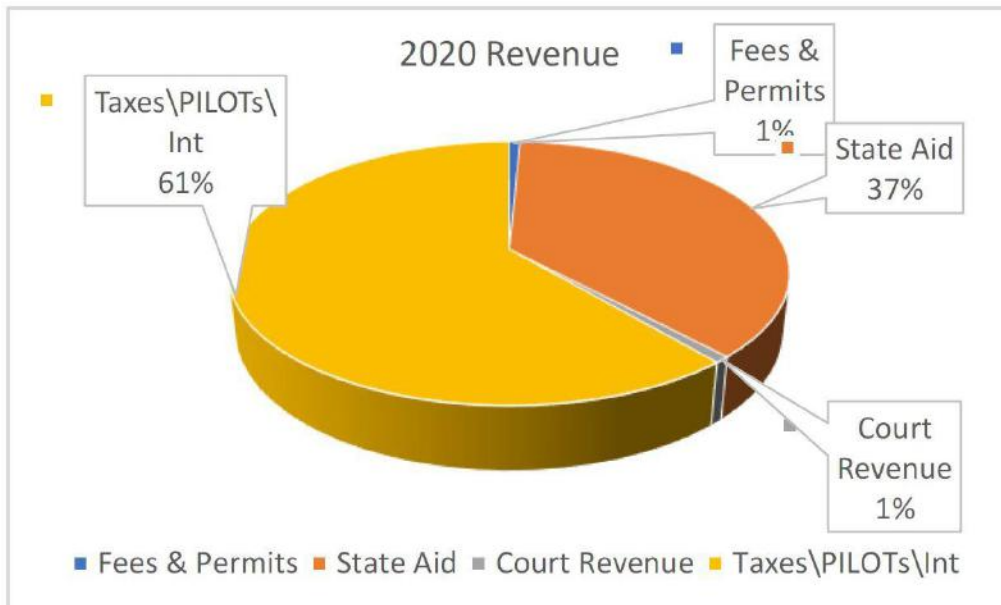
	Median
Municipalities	Home Value
Woodbury	\$ 161,600
Millville	\$ 160,200
Paulsboro	\$ 122,800
<i>Penns Grove</i>	<i>\$ 114,700</i>
Bridgeton	\$ 108,500
Salem	\$ 96,600

Section 2: Penns Grove Fiscal Budget Condition

- As stated earlier, Penns Grove has an annual structural deficit which is currently being filled with \$550,000 of State Transitional Aid (TA) funds.
- The Borough has been increasingly reliant on State TA funds to close this structural deficit (see chart below). The design of the TA program is exactly the opposite, it is supposed to slowly “transition” municipalities off of TA and back to self-sufficiency. The TA program is designed so municipalities get 85% of what they received the previous year.

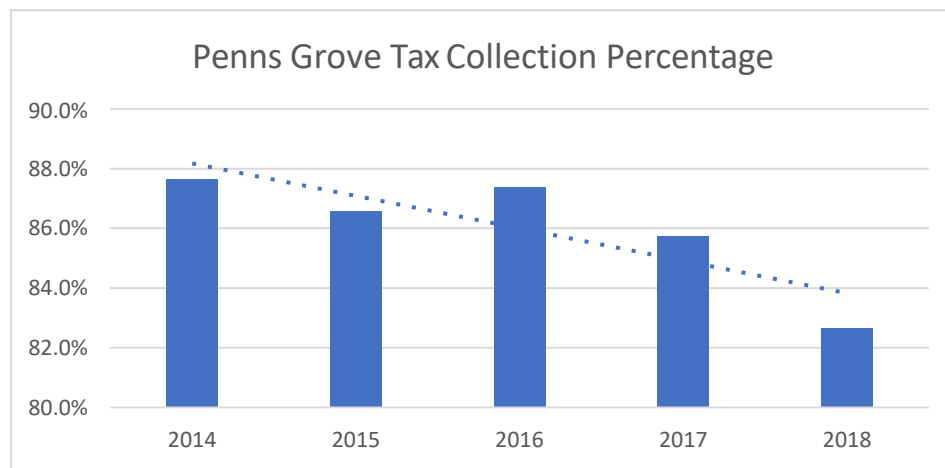
	Transitional
Penns Grove	Aid Funds
2017	\$ 356,000
2018	\$ 450,000
2019	\$ 550,000

- In addition to State TA funds, the Borough is also heavily reliant on State Energy Receipts Tax and State CMPTRA (Consolidated Municipal Property Tax Relief Act). In fact, all three of these state revenues comprise nearly 37 percent of the Penns Grove budget:

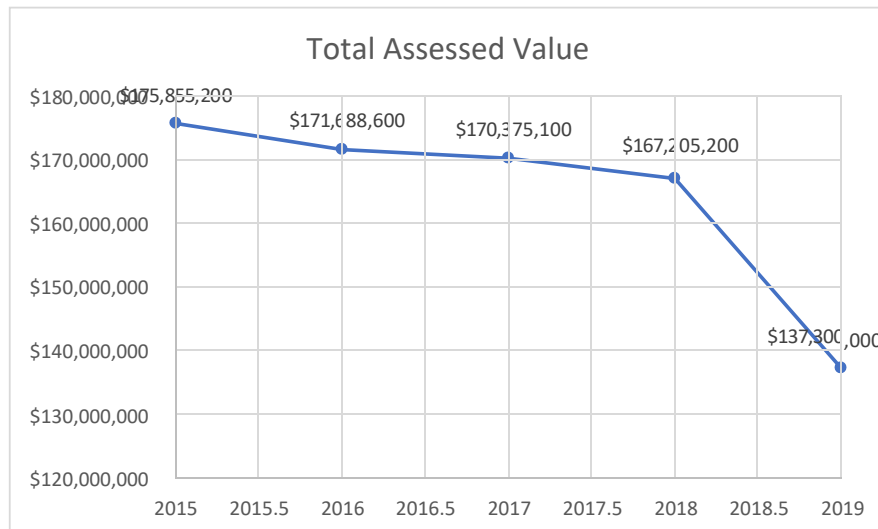


State Revenues	
Transitional Aid	\$ 550,000
CMPTRA	\$ 794,777
Energy Receipts Tax	\$ 1,040,077
Total	\$ 2,384,854

- Penns Grove, like most municipalities, is dependent on property taxes as the primary source of revenue. Collection of property taxes (delinquent, current and PILOTs) comprised 61 percent of the Borough's budget in 2019.
- Further complicating the fiscal challenges, the Borough's property tax collection rate is only 83.97 percent, well below the State average of 95 to 97 percent.



- In addition to a low collection percentage, the Borough's tax base has been decreasing as well.



- The Borough is collecting a lower percentage of taxes from a shrinking tax base. That is not sustainable and reversing these trends will be one of the prime tenants of this Recovery Plan.

Section 3: Penns Grove RECOVERY PLAN

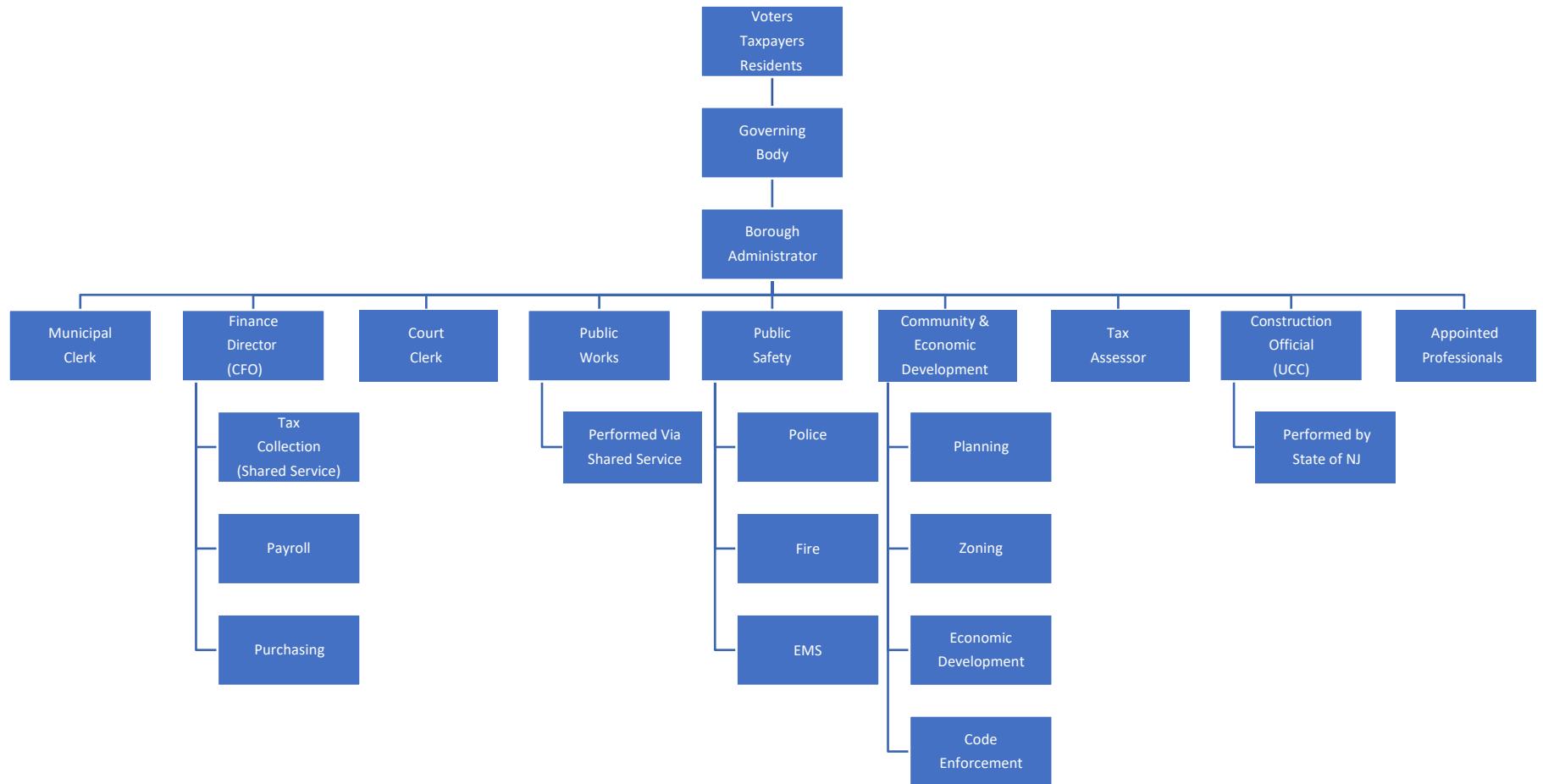
The above sections outlining the struggling fiscal condition of the Borough combined with ranking as the third “most distressed” city in New Jersey, demonstrates the status quo has not been sufficient and is not sufficient to address the fiscal challenges in Penns Grove. Structural change is needed to move the Borough forward. The below road map outlines the structural change needed and provides a path forward for the Borough.

Executive Summary

1. Establish Experienced Senior Management Team
2. Improve Collection of Property Taxes
3. Expand Ratable Base (Economic Development)
4. Maximize Shared Service Agreements with neighboring municipalities
5. Control Spending

1. **Establish Experienced Senior Management Team:**

- A. Improve Operational Capacity and Sustainability. As part of an overall strategy to move the Borough forward, Penns Grove needs to build and maintain a strong senior management team to enact the strategies outlined by the governing body and to run day to day operations.
- B. A strong senior management team is the foundation of effective municipal government and will:
 - implement the Recovery Plan
 - ensure continuity of operations between elections
 - ensure effective and efficient day to day operations
 - handle all administrative tasks so elected officials are free to focus on policy and legislative matters
 - ensure the Borough complies with all State and Federal regulations
 - handle constituent inquiries
 - ensure the municipality operates within the approved budget
- C. A strong senior management team starts with an experienced Business Administrator (BA) to oversee day to day operations and ensure the proper systems and processes are in place for the municipal government to function and carry out the policies enacted by the Governing Body.
- D. Along with the senior management team, the Borough needs a functional personnel system: Mission Statement, Organizational Chart, Job Descriptions, Performance Evaluations, Hiring procedures, Work Rules, Attendance policies, etc. An experienced BA can assist the Governing Body in implementing this and enforcing it on a day to day basis.
- E. **Recommending Action Items for “Establishing Senior Management Team”**
 - a. **Adopt a Mission Statement** A mission statement is a brief description of why a municipality exists. In one to three sentences, it explains what the Borough does, who it serves, and its purpose. It’s used to provide focus, direction, and inspiration to employees while it tells residents what to expect.
 - b. **Adopt an Organizational Chart** that reflects the management team and the positions the Borough thinks are necessary to carry out their Mission Statement. Below is a sample organizational chart that could be used for Penns Grove:



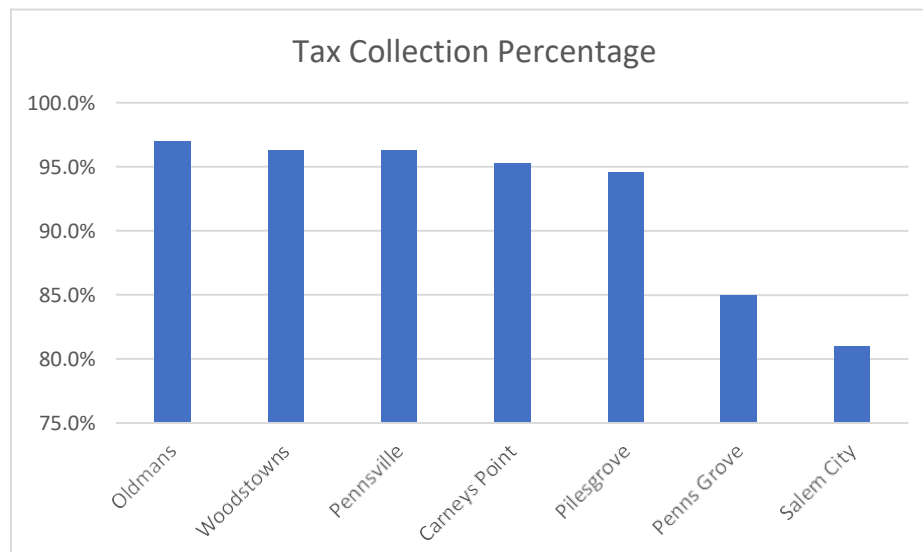
- c. **Adopt Borough Administrator Ordinance** establishing the position of Borough Administrator and giving that position the authority to run day to day operations consistent with Governing Body direction. Make that person the Personnel Officer with authority to supervise, discipline, transfer, grant leaves of absence, interview and make recommendations to the Governing Body, etc.

In the above example the BA would supervise all of the functions established by the Governing Body. Whether they are employees, Shared Services Agreements (SSAs) or appointed professionals, the BA is responsible to oversee, coordinate and ensure they are all performing their duties.

- d. **Advertise, Interview and Hire Borough Administrator** An experienced, Borough Administrator will manage, oversee and administer all day to day operations of the municipality and will drastically improve efficiency and effectiveness of the Mayor and Council. In order to get an experienced BA, the job advertisement should be posted on the NJ League of Municipalities website, NJ Municipal Managers Association website in addition to the Borough website.
- e. **Establish a Personnel System**. Once a BA is assigned, he/she should be tasked with implementing a standard personnel system: job descriptions, performance evaluations, all the items outlined in 1. D. above.

2. Improve Collection of Property Taxes:

- A. As previously stated, no business or government organization can sustain operations while only collecting 85 percent of their revenue. Most municipalities in the state average between 95 and 97 percent tax collection. Below are the percentages for the surrounding municipalities:



- B. Improving property tax collection results in a double benefit to the Borough,
 - a. More revenue is collected to fund the budget
 - b. Less money is needed to fund the the Reserve for Uncollected Taxes (RUT) to make up for the percentage of taxes that go uncollected.
 - c. Be aware, although the Borough only collects 85% of the taxes, it still has to pay 100% of the tax levy due to the County, School, Library, etc., hence the need for the RUT.

 - C. In 2019, Borough only collected \$3.0M in property taxes (85%) although \$3.5M in taxes was owed. If the Borough can raise that collection percentage to 90 or 95 percent, it would have a huge positive impact on the Borough budget and the ability of the Borough to deliver municipal services to its residents:
 - a. 90% collection would bring in an additional \$177,328 p/yr
 - b. 95% collection would bring in an additional \$354,655 p/yr
- D. Additionally, the current RUT appropriation is \$1,031,921 p/yr. That expenditure could be reduced significantly if the Borough could achieve 90 percent or better collection rate.
- E. The combination of increased revenue and decreasing the RUT expenditure would have the single biggest effect on your budget in the short term.

 - F. If the public thinks they can get away with not paying their taxes, the Borough will struggle to improve that 85% number. Also, it's not fair to the people who pay their taxes, that they have to subsidize the 15% who don't pay. Effectively, the Borough has to raise 100% of its revenue from only 85% of its taxpayers because 15% of the people aren't paying.

G. Recommending Action Items for Improving Tax Collections:

- a. Maintain your strong Shared Service Agreement for Tax Collection services with a NJ Certified Tax Collector
- b. Ensure your Collector is employing all the tools available in NJSA 54.
- c. For those who still don't pay, Borough needs an immediate and aggressive posture.
- d. Advertise delinquents as per Title 54
- e. Have a timely Tax Title Lien Sale
- f. Appoint a Special Counsel who specializes in In Rem Foreclosures and if after the advertisement and tax sale, you still have delinquents, assign them to the Special Counsel and start foreclosure proceedings.
- g. Require your Special Counsel to give quarterly reports on progress of foreclosure efforts.

- h. Once those properties are foreclosed on, have a land sale and immediately get the properties back on the tax rolls.
- i. One of your appointed Sub-Committees should specifically oversee this effort and receive periodic reports and briefings as to the status of collection efforts and foreclosures.

3. Expand the Ratable Base:

- A. As previously stated, the single most important financial impact the Borough can make in the short term is improve the property tax collection rate. The second biggest financial impact is expanding the tax base by both: encouraging improvements in existing homes and businesses but more importantly attracting new ratables. This is a longer-term financial goal but it is vital to the financial success of Penns Grove.
- B. The Borough ratable base has shrunk by \$38.5 million in the last five years. That is devastating to a community. Penns Grove lost 20 percent of it's ratable base but your expenses to run the municipality remained the same (or increased). That is not sustainable and all efforts must be made to stop that decline and reverse it.

2015 Total Tax Base:	\$175.8M
2019 Total Tax Base:	\$137.3M

- C. Expanding the tax base is the second most important financial goal of the Borough and you currently have no employees dedicated to economic development, re-development, attracting new businesses, abatement programs to encourage existing residents to fix up their buildings, community development, guiding projects through the Planning and Zoning process, etc. The Borough should give serious consideration to establishing a municipal employee position (full time or part time) whose job description is dedicated to this function.
- D. The Borough should also consider tax abatement legislation that would give tax incentives for businesses to locate in Penns Grove and also abatement programs for existing businesses to improve their properties.
- E. Attracting new businesses to the Borough has a two-fold benefit, it not only improves the tax base but it also creates jobs for the local residents.

F. Recommending Action Items for Expanding Tax Base:

- a. Create a Borough position/job description whose duties are focused on Community Development, Economic Development, making it easier for prospective businesses to get through the Planning/Zoning/Inspection process and who can attend and coordinate with area businesses and Chambers of Commerce to ensure Penns

Grove is competitive and participates in any economic renewal in the local area. For example: two big projects are scheduled for the local area:

- 1) The NJ Wind Port Project = scheduled for Lower Alloways Creek will create 1,500 jobs for the region and require supporting vendors to supply the needs of the employees and the plant.
 - 2) Amazon Fulfillment Center = announced for Carneys Point that will create 800 jobs for area residents.
- b. Have your Solicitor (or Re-development Attorney) recommend any tax abatement programs available under the law which are designed to attract businesses to Penns Grove. The Governing Body should then seriously consider legislation that implements these business-friendly abatement programs. Sometimes giving tax incentives to attract businesses is negatively viewed by some members of the public, but in Penns Grove's case it is essential to attract and retain these businesses to increase the tax base and provide jobs. The status quo in place now is not sustainable and places the tax burden on the backs of homeowners. Adding more businesses and commercial parcels would lessen the burden on the homeowners.

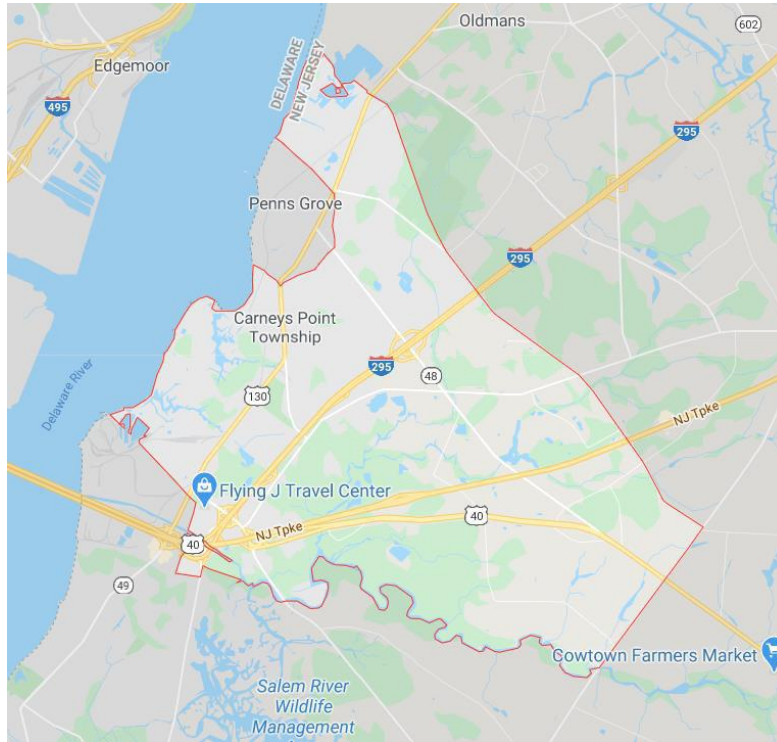
4. Take Advantage of Shared Service Agreements:

- A. Explore every possible Shared Service Agreement with your County, School District, local authorities, neighboring municipalities and the State. There is often duplication of service among government entities and wherever it makes financial sense for the agencies to join together, they should.
- B. The Borough has done an excellent job in this area and is to be commended for their progress. The Borough's actions in this area have saved the taxpayers of Penns Grove hundreds of thousands of dollars. The Borough currently has four Shared Service Agreements (SSA) in their 2020 budget:
1. Public Works Functions – The Borough pays Carneys Point \$623,484 to perform public works functions in Penns Grove. While that SSA is not perfect and can be improved, it is substantially less expensive than the Borough creating and staffing a Department of Public Works. The Borough could never purchase all the equipment and vehicles needed to perform that work (and the insurance and maintenance that goes with it) and hire full time employees to perform that work who would be required to get health insurance, pension, paid time off, workers compensation insurance, etc. for any where near \$623,484. Nearby Salem City which is only slightly bigger at 2 square miles but has the same population as Penns Grove pays over \$1M per year to maintain and staff it's small Department of Public Works.

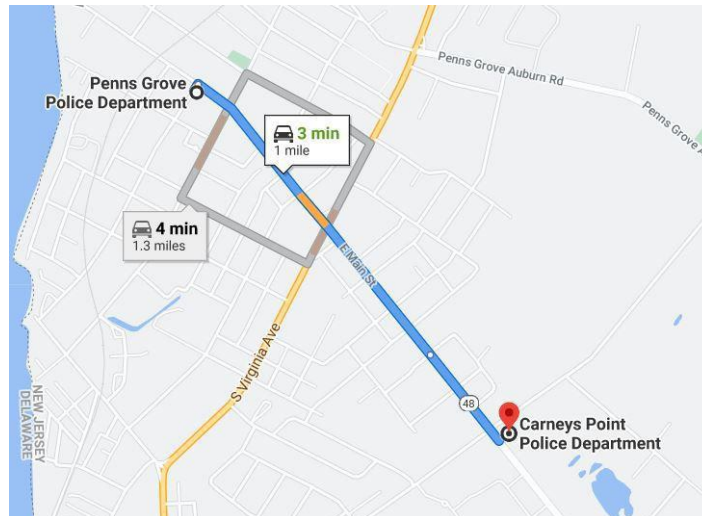
2. Police Dispatch Services – The Borough pays the County \$75,000 to perform dispatch services. As stated above the Borough could never maintain and staff a dispatch desk 24/7 for \$75,000 per year.
 3. Tax Collection – The Borough pays Carneys Point \$64,644 to operate a full time tax collection service that is open Monday through Friday and takes payments online for customers that can't come in. They collect and process all the payments and generate all the necessary state reports. Again, the Borough could never staff a full time tax collection office in Borough Hall for anywhere near \$64,644.
 4. Uniform Construction Code (UCC) Permits and Inspections – The Borough currently pays zero to the State of NJ to perform these functions. The State simply collects the fees for permits and inspections when performed.
- C. The Borough has been very progressive in this area and I encourage them to continue exploring SSAs to determine if there are others that can save the taxpayers money and decrease costs to the Borough. In their 2020 Transitional Aid application to the State, the Borough mentioned exploring "Consolidation of Police Services." Policing is an important function to explore since it currently consumes 37 percent of the entire Borough budget. An SSA for policing should be seriously considered for the following reasons:
1. In the 2020 budget, it cost the Borough \$2.2M to budget for its 16 full time police officers and all associated equipment and benefits.

Total Cost of Penns Grove PD	
(currently 16 budgeted officers)	
Salary & Wage	\$ 1,394,000
Other Expenses	\$ 84,000
PFRS (pension)	\$ 318,641
Health Benefits	\$ 250,000
(16 off x \$15,625)	
Workers Comp\Liability Ins.	\$ 80,000
Police Dispatch SSA	\$ 75,000
Total 2020 Costs	\$ 2,201,641
Total PG Expenditures	\$ 5,919,818
(excluding RUT)	
PD as % of Budget	37%

2. The Borough is only .9 square miles and is surrounded by Carneys Point



3. The Borough normally operates with 2 officers on patrol for normal duty. It probably would only require the addition of 10 (+/-) officers to the adjacent, contiguous Carneys Point PD to get the same coverage (2 officers on patrol).
4. There are obvious economies of scale savings from having one larger PD versus two smaller PDs, contracts, vendors, less rank needed, duplication of equipment and vehicles, holding cells, finger print machines, etc.
5. The Carneys Point PD is only 1 mile away from the existing Penns Grove PD, so it would not be an inconvenience to the residents



- D. There are hundreds of thousands of dollars that can be saved with no degradation in policing. In fact, there is an argument to be made that being part of a larger surrounding force will give Penns Grove residents access to more available back-up units if the need exceeds the two officers assigned to the Penns Grove section.
- E. Serious consideration should be giving to approaching Carneys Point and exploring contracting police services from them and negotiating a fee for the service that will be both beneficial for the taxpayers of Carneys Point and beneficial to the taxpayers of Penns Grove while improving response times and available back up units.

5. Control and/or Reduce Spending

- A. Resist the temptation to add expenditures to the budget unless there are corresponding revenue increases or reductions elsewhere in the budget to offset it. Failure to do so results in increased taxes and exacerbating the structural deficit. The Borough can't vote to add new positions, projects or programs unless there is a plan in place that identifies the funding source.
- B. One recommendation is to direct your CFO and Clerk to ensure that any piece of legislation (resolution or ordinance) listed on an agenda that requires spending money be accompanied by a Certification of Funds from the CFO showing how much money the piece of legislation costs and where the money is coming from: grant, bond ordinance, existing budget, if it's not already in the existing budget – how much will it add to next year's budget, shared service agreement, etc. An elected official should never vote on spending legislation unless he/she knows exactly how much it costs and where the money is coming from.

- C. Watch your employee headcount, personnel are very expensive. Adding a full-time employee incurs salary, health benefits, pension contribution and payroll taxes. Whenever possible try to reduce through attrition or via SSAs. If you need additional help, consider contracted services and/or part-time positions first.
- D. Keep your collective bargaining contracts in check. Once a financial benefit has been bargained away by the Borough, it is very difficult to get it back or eliminate.

Section 4: Conclusion

The status quo in Penns Grove is not sustainable. In order for Penns Grove to become a self-sustaining, self-governing, financially stable municipality change has to occur. This Recovery Plan is a road map the Division thinks will put Penns Grove on a path to financial independence and governing independence (free of State Supervision). This kind of change is difficult and challenging and it's up to the elected leadership to band together and either implement this plan or a similar plan that will move Penns Grove forward.

The Division's recommendation is for the Governing Body to adopt a "Recovery Plan" (either this one, or one very similar to it) by resolution and thereby authorize your employees and appointed professionals to work every day to make that recovery plan happen. The Borough should also include their Recovery Plan in the Transition Plan section of the 2021 Transitional Aid Application to show the Division they have a plan for weaning off of Transitional Aid monies. Doing this would set the direction of the municipality and speak loud and clear to prospective residents, existing residents, business owners, potential business owners and all other government agencies that Penns Grove has a direction, Penns Grove has a plan and Penns Grove is serious about making the Borough a safe and successful municipality.

Although the recommendations in this report will require difficult decisions from the Borough's leadership, residents and community, taking these actions will help to ensure that Penns Grove does not become a permanent ward of the State, but instead begins a new path with opportunities to grow its economic and financial success.