

Consolidation Options and Impacts for Chester, NJ

A Report to the
Joint Consolidation
Study Commission

April 2010

Prepared for:
**Joint Consolidation Study Commission
of Chester Borough and Chester Township**

Project Director:
Joseph Stefko, Ph.D.

Draft

1 South Washington Street
Suite 400
Rochester, NY 14614
585.325.6360

90 State Street
Suite 1436
Albany, NY 12207
518.432.9428

www.cgr.org



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OVERVIEW

The primary purpose of this report is to inform the Consolidation Study Commission's final report by identifying the available options and their fiscal and/or operational impacts. This report builds on a comprehensive baseline report issued in February 2010, entitled *Municipal Services and Financial Overview: Township and Borough of Chester*. That report, prepared by CGR on behalf of the Commission, establishes a foundational understanding of how the Township and Borough deliver and fund services, as well as their basic governing structures; identifies their assets and debts; compares their respective town codes; and presents other issues that may bear on the consolidation question. In order to fully understand the options and impacts presented in this report in their proper context, readers are encouraged to review the baseline document.

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INTRODUCTION

In 2008, officials in Chester Borough and Chester Township initiated an effort to explore the potential benefits of consolidating into a single municipality. Following a public hearing in February 2009, the governing bodies of both the Township and Borough received approval from the State of New Jersey's Department of Community Affairs (Local Finance Board, or LFB) to create a Joint Consolidation Study Commission and establish a process for a consolidation study. The Commission, comprised of Township and Borough representatives¹, was tasked with studying the feasibility of consolidating the municipalities into a single governmental unit.

In the original LFB application, the governing bodies of both towns stated the following:

“The feasibility study is necessary to determine the practicability of consolidating the municipalities of the Borough of Chester and the Township of Chester. The two towns already share many services such as elementary schools, fire and first aid, a public library, recreation services and mutual aid of the two police departments. In 2008, the State of New Jersey cut state aid to all municipalities under 10,000 in population. Both the Township and Borough fall under this category. Such cuts make the difficult process of balancing a municipal budget even more burdensome. The administrations of both the Borough and the Township believe it necessary to explore consolidation to determine if combining the towns will lead to a tax savings and/or increase the quality of life for our residents.”

Study Process

After a public request-for-proposal process, in September 2009 the Commission engaged the Center for Governmental Research Inc. (CGR) to complete the consolidation study. During the course of CGR's analysis, the Commission held monthly meetings, all of which were open to the public, and established a comprehensive website (www.cgr.org/chester) to keep the community informed on the study's progress. Two formal public meetings were scheduled for May 10th and 11th at the Dickerson School in Chester, to present information and solicit community feedback on the consolidation issue, as well as discuss the baseline study and this options report.

¹ Commission members include: Brian Murphy, Township Council member (Commission Chairman); William Cogger, Township Mayor; Robert Davis, Borough Council member; Matthew Kass, Township Council member; Valle Schloesser, Borough Council member; and Dennis Verbaro, Borough Mayor. The State Department of Community Affairs' non-voting representative is Jim Allison.

Purpose of This Report

The primary purpose of this report is to inform the Consolidation Study Commission's final report by identifying the available options and their fiscal and/or operational impacts. This report builds on a comprehensive baseline report issued in February 2010, entitled *Municipal Services and Financial Overview: Township and Borough of Chester*. That report, prepared by CGR on behalf of the Commission, establishes a foundational understanding of how the Township and Borough deliver and fund services, as well as their basic governing structures; identifies their assets and debts; compares their respective town codes; and presents other issues that may bear on the consolidation question. In order to fully understand the options and impacts presented in this report in their proper context, readers are encouraged to review the baseline document.

IMPLEMENTATION TIMELINE

Process to Date

The following process flowchart depicts the steps taken in the consolidation study effort thus far. In 2008, the governing bodies of the Township and Borough applied to the Local Finance Board (LFB) to create the Joint Consolidation Study Commission. Following LFB's approval of the application, the Commission was formed and its membership appointed in 2009. Using grant funds provided under the State of New Jersey's SHARE (Sharing Available Resources Efficiently) program, the Commission selected CGR to serve as study consultant. CGR's baseline study, *Municipal Services and Financial Overview: Township and Borough of Chester*, was completed in February 2010. The State Department of Community Affairs' report on the fiscal aspects of consolidation was completed and presented in March 2010. Following two public forums in April 2010, the final options report was completed by CGR and presented to the Commission.

Process to Come

Before Referendum

Following delivery of this report, the Commission will begin drafting its final recommendations in the form of a consolidation report, to be released to the community on or around July 2010. Based on the Commission's final decisions and recommendations, a determination will be made as to the availability (and amount) of incentive funds available from the State of New Jersey, as well as consolidation transition costs that may be underwritten by the State. On or around August 2010, both governing bodies will vote on whether to put the Commission's final

recommendation and plan to voters in a referendum. Assuming approval by both bodies, an official abstract and referendum document will be developed in August and September 2010, in preparation for a public vote in November 2010. Voters in both the Township and Borough would cast ballots on the referendum. Passage would require approval in *both* towns separately in order to become binding.

Note that if *any* of the above-noted decision points is not successfully achieved, the consolidation process would terminate. For example, if the Commission is unable to arrive at a final recommended plan; if either governing body fails to approve the final recommended plan; or if voters in *either* the Township or Borough fail to approve the referendum, the consolidation process concludes and both towns would continue to exist in their current form.

After Referendum

If voters approve the consolidation referendum in November 2010, a year-long process would commence to enable transition to a merged government. During that year, a review of the Township and Borough's ordinances and codes would occur to enable their integration. The two towns may appoint a committee to perform this task. (Note: The State of New Jersey will provide transition aid to underwrite certain costs related to this process. The exact amount of that transition aid, as well as a menu of aidable costs, would be provided by the State in the fall of 2010, in advance of the referendum on consolidation.)

In November 2011, new municipal officers would be elected for the consolidated government. In January 2012, the new government would be installed.

FUNCTIONAL OPTIONS

This section reviews the options available to a consolidated Chester in terms of municipal services. Where applicable, the cost/savings impacts presented.

Partial vs. Full Consolidation

This options report is focused on *full* consolidation of the Township and Borough of Chester. As such, this section analyzes the impact of consolidating current municipal services under the auspices of a single municipality. However, it is important to note that certain functions could be consolidated even short of full-scale municipal merger, through the use of a consolidated department or inter-local contracting. Based on CGR's analysis, the following services appear to have potential for incremental

shared services and/or consolidation, even in the absence of a full municipal merger:

- Tax assessment and collection of taxes
- Financial administration
- Municipal court
- Recreation
- Legal
- Engineering
- Planning
- Construction
- Solid waste and recycling
- Board of Health
- Police
- Public works

For all other functions, the best opportunity for merging services appears to be in the context of a full consolidation of the two towns. In some cases this is due to state law (*e.g.* elected officials); in other cases, it is simply due to the demands of running two independent towns (*e.g.* clerk/administrator). Thus, consolidating the following services will likely only occur in the context of a full municipal consolidation:

- Clerk/Administrator
- Mayor
- Council
- Planning Board
- Zoning Board

Analysis of Functional Consolidations

Primary savings from consolidation will ultimately come from changes in staffing structures of functional departments. The actual savings potential ranges depending on the resulting structure of departments in the merged municipality. Simply “aggregating” costs between two departments does not capture the full picture of what could happen in each functional area if the municipalities consolidate. To facilitate analysis of each functional area in a standard form, four categories of assumptions were applied, ranging from most conservative to most aggressive:

- **Category 1: Merged and equalized with no loss of FTE**²

² Throughout this report, the abbreviation FTE refers to “full time equivalent” positions. It is important to note that FTE can be presented as a fraction of a full-time position, and

This is the most conservative approach to restructuring functions under a consolidated Chester. It assumes that the current FTE complement of the Township and Borough is amalgamated, resulting in no loss of FTE. Where there are position overlaps, compensation packages are equalized up to the higher of the two. While titles may need to be realigned, it is assumed that general responsibilities will not change. Any pending attrition due to planned retirements (see *Municipal Services and Financial Overview* report) is assumed to result in a replacement FTE at an entry-level position.

- **Category 2: Merged and equalized, assuming attrition savings and reduction in FTE**

This is a slightly less conservative approach to restructuring functions under a consolidated Chester. The general assumptions remain the same as those in Category 1, with the exception that no replacement personnel are assumed for pending attrition due to planned retirements.

- **Category 3: Merged and restructured, assuming attrition savings and reduction in FTE**

This is a slightly more aggressive approach to restructuring functions under a consolidated Chester. Under this category, no replacement personnel are assumed for pending attrition due to planned retirements. Moreover, existing positions are restructured such that overlapping titles are revised to account for a more integrated, streamlined department. This results in title downgrades at certain positions, with a commensurate compensation reduction.

- **Category 4: Merged with aggressive restructuring**

This is an even more aggressive approach to restructuring functions under a consolidated Chester. Under this category, more comprehensive restructuring options are considered for specific departments. Potential savings are realized through the elimination

does not necessarily represent a single full-time title. For example, 0.5 FTE refers to a half-time position. Similarly, 1.0 FTE may represent the aggregation of multiple part-time employees within a single department. For a full breakdown of current staffing levels in the Township and Borough of Chester, refer to the baseline *Municipal Services and Financial Overview* report.

of positions through pending attrition through planned retirements; the elimination of certain duplicate titles; and the reduction of other FTEs.

Using these categories of assumptions, this section reviews each major functional service to show the range of options available to the Township and Borough in consolidation. Financial impacts are also presented to reflect the change in staffing structure and position deployment, where applicable. Information regarding current staffing and compensation levels is drawn from the baseline *Municipal Services and Financial Overview* report.

It should be noted that these categories are *not* mutually exclusive, and do not necessarily represent the full range of restructuring options available to the Township and Borough. The intent is to provide an analytical framework for the Commission's consideration and development of a final consolidation plan.

Clerk/Administrator

Category 1: Under this scenario, both Clerk/Administrators and the Deputy Clerk are retained in the merged department. There is no restructuring, other than potential shifts in titles to accommodate both Clerks. The lower compensated Clerk/Administrator is assumed to be equalized in salary with the higher-compensated Clerk/Administrator.

This option increases costs by \$13,350.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option increases costs by \$13,350.

Category 3: Merging into a single department may enable a restructuring of the two Clerk/Administrator positions. Under this scenario, one Clerk/Administrator title is assumed downgraded to the Deputy Clerk level, yielding a department with one Clerk/Administrator and two Deputy Clerks.

This option yields savings of \$42,200.

Category 4: Under this scenario, the lower compensated and duplicate position of Clerk/Administrator would be eliminated, yielding a department staffed by one Clerk/Administrator and a single full-time Deputy Clerk/Registrar.

This option yields savings of \$112,000.

Construction

Category 1: Under this scenario, all current employees are retained in the consolidated department. Duplicate titles would be equalized in total compensation at the level of the higher-paid incumbent. One plumbing sub-code official and one fire sub-code official would see an increase in pay to equalize compensation packages with the higher paid positions.

This option increases costs by \$3,665.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option increases costs by \$3,665.

Category 3: Merging into a single department may enable a restructuring. Under this scenario, the overlapping titles of plumbing and fire sub-code officials are assumed to be eliminated. However, the remaining positions are compensated at a higher level to account for the combined responsibilities of the merged department. For purpose of analysis, the new compensation level has been modeled at \$15,000 for each title.

This option yields savings of \$2,900.

Category 4: Building on the assumptions of Category 3, the only additional change could be the elimination of one construction official. One full-time construction official would remain, with one assistant supporting that position.

This option yields savings of \$14,000.

Court

Category 1: Under this scenario, all current employees are retained in the consolidated department. The two judges are retained, and their salaries equalized up to the higher-compensated of the two. The 1.8 full-time equivalent court administrator positions would be retained, and their salary levels would be equalized up on a proportionate basis. The assistant court administrator position would also be retained and the salary unchanged.

This option increases costs by \$9,700.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option increases costs by \$9,700.

Category 3: This scenario assumes the elimination of one judge position in the consolidated department. The remaining judge's compensation level is assumed to increase to account for a higher work load. The overlapping title of court administrator is assumed downgraded to a second assistant administrator position. The resulting court structure has one judge, one full-time administrator and two part-time assistants.

This option yields savings of \$51,300.

Category 4: If the merged court were to be aggressively restructured, the primary difference from Category 3 savings would be the elimination of the second court administrator position. The resulting structure would be one judge, one full-time court administrator and one part-time assistant administrator.

This option yields savings of \$75,800.

Public Works

Category 1: Under this scenario, all current employees are retained in the consolidated department. There are costs related to the leveling of salaries. Four Borough laborers are assumed equalized up to the lowest-salaried laborer in the Township. Further, the assistant superintendent in the Borough is assumed equalized in salary with the Township assistant superintendent title. The former Borough Superintendent title (currently on leave and scheduled to retire) is assumed replaced with an entry-level laborer position, to retain the full-time equivalent staff level.

This option increases costs by \$69,100.

Category 2: Under this scenario, the same assumptions about equalizing salaries for the laborers and assistant superintendent are applied as in Category 1. However, in this category it is assumed that the former Borough Superintendent (currently on leave) retires and the position is not backfilled. This results in a loss of one full-time position.

This option increases costs by \$3,500.

Category 3: Building on the assumptions of Category 2, this scenario additionally assumes that the consolidated department is restructured such that one of the overlapping assistant superintendent titles is downgraded to a laborer. Assuming the Borough position which is compensated at a lower level was downgraded to laborer, the salary would still increase as described in Category 1. However, because the increase would be to a laborer position and not an assistant superintendent, the total increase would be smaller. Like Category 2, this scenario results in a loss of one FTE.

This option yields savings of \$37,100.

Category 4: Building on the assumptions of Category 3, this scenario assumes that rather than downgrading the assistant superintendent position, the second title is eliminated. This would result in a loss of two FTEs.

This option yields savings of \$114,200.

Mayor/Council

Category 1: If the consolidated government used a six-member council with one mayor, the result would be the loss of one mayor and four council members. For cost modeling purposes, the new mayor and council members are assumed to be compensated at the higher of the current Township/Borough level, and each is assumed to take health benefits that are paid in full by the merged government.

This option yields savings of \$17,700.

Category 2: Attrition is not relevant to this category, and thus the assumptions of Category 1 hold.

This option yields savings of \$17,700.

Category 3: This scenario assumes that the community voted to retain a four-member council and one mayor, resulting in the loss of one mayor and six council members. The new mayor and council members are assumed to be compensated at the higher of the current Township/Borough level, and each is assumed to take health benefits that are paid in full by the merged government.

This option yields savings of \$29,300.

Category 4: Similar to Category 3, this scenario assumes one mayor and four council members. Each council member is assumed to be compensated at the current Township levels and the mayor at the current Borough level. The new mayor and council members are assumed to be compensated at the higher of the current Township/Borough level. However, none is assumed to take health insurance.

This option yields savings of \$88,500.

Financial Administration

Category 1: Under this scenario, all current employees are retained in the consolidated department. Merging the financial administration function would combine an existing treasurer title (from the Township) with an

existing Chief Financial Officer title (from the Borough). This scenario assumes the treasurer title upgraded in responsibility and equalized in compensation to the CFO position. It also assumes that the merged department eliminates the need for the Township's current outside vendor contract for CFO services, saving \$40,000.

This option yields savings of \$15,400.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option yields savings of \$15,400.

Category 3: A restructuring of a merged department could in this case simply yield each current employee retaining their current title. Thus, the department would retain two full-time employees with their current titles and no corresponding change in compensation packages. The merged department could still realize savings from elimination of the Township's current outside vendor contract for CFO services.

This option yields savings of \$40,000.

Category 4: This scenario builds off of Category 3, and assumes a downgrade of the treasurer title to serve as support staff to a CFO. For modeling purposes, the treasurer compensation level is assumed reduced by \$20,000. The outside vendor contract for CFO services is still assumed to be eliminated.

This option yields savings of \$60,000.

Planning and Zoning

Category 1: Under this scenario, all current employees are retained in the consolidated department. Merging and equalizing this department would yield two full-time zoning officers and two part-time board secretaries. Cost increases would be associated with equalizing up the zoning officer salaries; salaries for the board secretarial titles are assumed to remain unchanged.

This option increases costs by \$13,400.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option increases costs by \$13,400.

Category 3: A merged and restructured department could retain both of the zoning officer positions, but downgrade one to an assistant level. The FTE-equivalent level of personnel would remain unchanged.

This option yields savings of \$25,000.

Category 4: This scenario builds off of Category 3, and assumes the additional reduction of one current fractional FTE (0.2) board secretary position. Currently the Township zoning officer acts as the board secretary for the Township and in a merged department, the two FTE zoning officers could likely fulfill the role of a board secretary between them.

This option yields savings of \$38,400.

Police

Category 1: This scenario assumes no loss of FTE, and an equalizing of salaries for entry level patrolmen. One chief position, held by an incumbent whose retirement is pending, would be backfilled by an entry level patrolman. The remaining chief would be compensated at the higher level of the two current chiefs. Two sergeants in the Borough would be equalized up in salary to the lowest level sergeant in the Township³. The secretary positions would be retained and equalized up in compensation.

This option yields savings of \$33,000.

Category 2: This scenario builds off the assumptions of Category 1, and additionally assumes that the retiring chief position is not backfilled. This would result in an overall loss of one FTE.

This option yields savings of \$94,300.

Category 3: This scenario involves a potential restructuring of the department. Building on the assumptions of Categories 1 and 2, it additionally assumes the downgrade of sergeant titles to patrolmen. Under this scenario, rather than equalizing salaries for sergeants, the salaries are held flat.

This option yields savings of \$120,700.

³ The reason for choosing the lowest level of sergeant for comparison is that we have insufficient information to determine seniority levels for sergeants and/or where their compensation falls on the step scale in the union contract. It is conceivable that sergeants would have to be equalized at a higher value than has been modeled.

Category 4: This scenario assumes a net reduction of three FTEs – one chief retires without replacement, one overlapping secretary position is eliminated, and one corporal position is eliminated. All other assumptions from the previous categories remain the same.

This option yields savings of \$340,000.

Recreation

Category 1: Under this scenario, all current employees are retained in the consolidated department. The primary change regards the position of recreation director. Both directors are retained, but there is an equalizing up of compensation.

This option increases costs by \$7,600.

Category 2: There are no additional assumptions for this category.

This option increases costs by \$7,600.

Category 3: Restructuring the consolidated department could yield a downgrade in one of the recreation director titles, to a staff position. This would result in the same number of FTEs as present.

This option yields savings of \$4,700.

Category 4: A more aggressive approach could involve eliminating one director position without replacement.

This option yields savings of \$11,000.

Tax Assessment

Category 1: Under this scenario, all current employees are retained in the consolidated department. The tax assessor titles are equalized up in compensation on a proportionate basis, such that two positions are retained with the current combined 0.65 full-time equivalent staff.

This option increases costs by \$9,200.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option increases costs by \$9,200.

Category 3: Under this scenario, the assessor position is split between an assessor and an assistant. One of the positions is upgraded to a 0.75 full-time equivalent with a \$25,000 salary increase, while the other is assumed

downgraded to a half-time assistant assessor (with the salary rate downgraded proportionately).

This option increases costs by \$10,000.

Category 4: This scenario assumes that one tax assessor is raised to a 0.75 full-time equivalent, with a \$25,000 salary increase. The second tax assessor position is eliminated. The current assistant tax assessor is retained with no change in time or compensation.

This option yields savings of \$3,600.

Tax Collection

Category 1: Under this scenario, all current employees are retained in the consolidated department. It assumes a proportionate equalizing of compensation with no loss of personnel.

This option increases costs by \$5,000.

Category 2: As there are no pending retirements in this department, the assumptions and impacts remain the same as Category 1.

This option increases costs by \$5,000.

Category 3: If the consolidated department was restructured, one tax collector title could be downgraded to assistant tax collector with no loss of FTE.

This option yields savings of \$20,000.

Category 4: Not applicable, as no further restructuring appears possible in this category.

N/A

Summary

The functional consolidation scenarios presented above yield a range of impacts. At the most conservative level, assuming no loss of full-time equivalent personnel or titles, the equalizing of compensation levels and increases payroll taxes, the merger would cost an additional \$65,000. However, assuming more aggressive departmental restructuring and position consolidations where possible, functional consolidations could generate close to \$877,000 in savings.

In reality, the final cost/savings impact from consolidation would be somewhere in that range of impacts, subject to which structural and personnel decisions are made on a function-by-function basis.

*Summary of Functional Consolidation
Structural and Financial Impacts*

	Option 1	Option 2	Option 3	Option 4
Clerk/Administrator	\$13,350	\$13,350	(\$42,200)	(\$112,000)
Construction	\$3,665	\$3,665	(\$2,900)	(\$14,000)
Court	\$9,700	\$9,700	(\$51,300)	(\$75,800)
Public Works	\$69,100	\$3,500	(\$37,100)	(\$114,200)
Mayor/Council	(\$17,700)	(\$17,700)	(\$29,300)	(\$88,500)
Financial Administration	(\$15,400)	(\$15,400)	(\$40,000)	(\$60,000)
Planning/Zoning	\$13,400	\$13,400	(\$25,000)	(\$38,400)
Police	(\$33,000)	(\$94,300)	(\$120,700)	(\$340,000)
Recreation	\$7,600	\$7,600	(\$4,700)	(\$11,000)
Tax Assessment	\$9,200	\$9,200	\$10,000	(\$3,600)
Tax Collection	\$5,000	\$5,000	(\$20,000)	(\$20,000)
Total Savings Range	\$64,915	(\$61,985)	(\$363,200)	(\$877,500)

Services Unaffected by Consolidation

The delivery and cost of services not referenced in the preceding section would not be impacted by a consolidation of the Township and Borough. They include:

- Library: Currently funded proportionately by Township and Borough assessed value, this is assumed to continue in its current form.
- Fire Department: Currently funded proportionately by Township and Borough assessed value, this is assumed to continue in its current form.
- First Aid Squad: Currently funded proportionately by Township and Borough assessed value, this is assumed to continue in its current form.

The Township and Borough provide a host of other services pursuant to outside and/or interlocal contracts with neighboring municipalities. It is assumed that these services would not be impacted by consolidation, except that a single vendor contract would be established to provide service to the consolidated municipality. They include:

- Emergency Dispatch

- Senior Transport
- Solid Waste/Recycling
- Board of Health
- Planning
- Engineering
- Auditor
- Legal

A Note on Utilities

Under consolidation, the self-liquidating sewer and water utilities, as well as the Chester Area Pool, would remain user-funded. All three are currently budgeted in dedicated funds within the Borough's budget, but do not have a bearing on the Borough's general expenses. They would be treated the same way in a consolidated Chester, with users and rate-payers funding their full cost burden. Residents that do not have access to sewer and water infrastructure would not bear any financial responsibility for those systems. Similarly, residents who do not maintain a membership at the Chester Area Pool would not bear any financial responsibility for it. Much as certain sewer and pool administrative and billing functions are handled by the Borough (and reimbursed by those dedicated funds), a consolidated Chester would likely handle these responsibilities in the same way.

Other Potential Impacts

Although the most tangible and immediate impacts of consolidation would likely be confined to functional mergers and departmental restructuring, there remain other potential impacts that may accrue to the community over time. Those impacts may include, though not necessarily be limited to, the following:

- The ability to have a single capital planning process and procurement approach, enabling the municipality to anticipate and meet capital equipment and upgrade needs in more coordinated fashion; and
- The option of operating out of a single municipal headquarters, possibly enabling the sale of one or both current municipal halls and the conversion of the property to taxable status in a way that benefits the tax levy and overall size of the ratable base.

NAME OPTIONS

The final consolidation plan would recommend a name for the merged entity resulting from a consolidation of the Township and Borough. Given that both towns currently share the name “Chester,” it is most logical that the consolidated entity retain the name and identity of Chester.

FORM OF GOVERNMENT OPTIONS

The final consolidation plan would recommend a form of government to be used if the Township and Borough were consolidated. That determination would be binding on the merged government.

To facilitate the Commission’s review of optional forms, Dr. Ernest Reock (Center for Government Services at Rutgers University) made a presentation at the February 23rd meeting on the forms that were available to the community in the event of consolidation. Under state law, there are eight forms available to a consolidated Chester, as summarized below.

Borough Form

Under state law, a consolidated Chester may adopt either of the forms of government currently place in the community. The first of those is the form used by the Borough of Chester, known as the **Borough form**. Highlighted by a mayor-council structure, the Borough form is currently used by 218 municipalities in New Jersey, collectively representing 17.7 percent of the state population. Of the communities currently using this form, the mean population is 7,061. The form has the following characteristics:

- Direct election of the mayor, with a four-year term;
- Six-member council, elected at-large to staggered three-year terms using partisan elections;
- Mayor presides over council meetings, but votes only to break ties;
- Mayoral veto, subject to override by a 2/3 vote of the council;
- Mayoral appointment of subordinate officers, subject to council approval;
- No requirement for a chief administrative officer, although the council may delegate by ordinance some executive responsibility to an administrator; and
- No initiative and referendum.

OMCL Small Municipality

The second form currently in use in the community, and therefore available to a consolidated Chester, is that used by the Township. Known as the **Faulkner Small Municipality form**, the “small municipality” form is authorized under the Optional Municipal Charter Law (OMCL). The form is used by 18 municipalities in New Jersey, collectively representing 1.6 percent of the state population. Of communities currently using this form, the mean population size is 7,500. The form is restricted to municipalities with less than 10,000 in population, which makes it available to a consolidated Chester. If the combined entity were to exceed 10,000 in population in the future, it would still be able to retain the small municipality form. The form has the following structural characteristics:

- The mayor can be elected directly by the voters or through the council, and can serve a term of one or three years (if elected by council), or four years (if elected by voters);
- A three, five or seven-member council is elected at-large to three-year terms (which can be concurrent or staggered), through elections that may be partisan or non-partisan;
- Mayor presides over council meetings with a vote;
- Mayor has no veto;
- Mayor appoints council committees, municipal clerk, attorney, tax assessor, tax collector and treasurer, subject to council confirmation;
- No requirement for a chief administrative officer, although the council may create an administrator by ordinance; and
- No initiative and referendum.

OMCL Mayor-Council

Another available option is the **Faulkner Mayor-Council form**, as authorized under the Optional Municipal Charter Law (OMCL). The form is used by 70 municipalities in New Jersey, collectively representing 37.3 percent of the state population. Of communities currently using this form, the mean population size is 46,309. The mayor-council form is distinctly more of a “strong mayor” type, with the following characteristics:

- Direct election of the mayor, with a four-year term;
- A five, seven or nine-member council is elected, on either an entirely at-large or combined at-large/ward basis, to four-year terms (which can be concurrent or staggered), through elections that may be partisan or non-partisan;
- Mayor has no vote on council;
- Mayoral veto, subject to override by a 2/3 vote of the council

- Mayor appoints department heads (subject to council approval) and can remove department heads (subject to council disapproval by 2/3 vote);
- Administrative officer required, and may supervise administration of departments subject to mayor's direction; and
- Initiative and referendum.

OMCL Council-Manager

Another available option is the **Faulkner Council-Manager form**, as authorized under the Optional Municipal Charter Law (OMCL). The form is used by 42 municipalities in New Jersey, collectively representing 11.2 percent of the state population. Of communities currently using this form, the mean population size is 23,228. It has the following characteristics:

- Governing body may be five, seven or nine council members *or* a mayor and four, six or eight council members;
- The mayor can be elected directly by the voters on an at-large basis or through the council, and can serve a term of one, two or four years (if elected by council), or four years (if elected by voters);
- Council is elected on either an entirely at-large or combined at-large/ward basis to four-year terms (which can be concurrent or staggered), through elections that may be partisan or non-partisan;
- Mayor presides over council;
- Mayor appoints department heads;
- A manager serves as chief executive and administrative; and
- Initiative and referendum.

OMCL Mayor-Council-Administrator

Another available option is the **Faulkner Mayor-Council-Administrator form**, as authorized under the Optional Municipal Charter Law (OMCL). The form resembles the Borough form, except that it includes a charter-provided requirement for an administrator. The form is used by 3 municipalities in New Jersey, collectively representing 0.9 percent of the state population. Of communities currently using this form, the mean population size is 26,890. It has the following characteristics:

- Mayor is directly elected to a four-year term;
- Six-member council is elected to three-year staggered terms through partisan elections;
- Mayor presides over council, but votes only to break ties;
- Mayoral veto is subject to 2/3 council override;
- Mayor appoints clerk, administrator, attorney, tax collector, tax assessor, treasurer and department heads subject to council approval;

- Chief administrative officer is required; and
- Initiative and referendum.

Municipal Manager Form

Another available option is the **Municipal Manager form**. The form is used by 7 municipalities in New Jersey, collectively representing 2.2 percent of the state population. Of communities currently using this form, the mean population size is 27,777. It has the following characteristics:

- No direct election of mayor – mayor is elected by the council to serve either a two-year term (if elections are staggered) or a four-year term (if elections are concurrent);
- Three, five, seven or nine-member council is elected at-large to four-year concurrent or staggered terms through non-partisan elections;
- Mayor presides over council meetings;
- Chief administrative officer/manager is required, with power to appoint and remove department heads; and
- Initiative and referendum.

Commission Form

Another available option is the **Commission form**. The form is used by 31 municipalities in New Jersey, collectively representing 4.1 percent of the state population. Of communities currently using this form, the mean population size is 11,433. It has the following characteristics:

- No direct election of mayor – mayor is elected by the board of commissioners to serve either a four-year term;
- Three or five -member board of commissioners is elected at-large to four-year concurrent terms through non-partisan elections;
- Mayor presides over board of commissioners;
- Board of commissioners exercises legislative power, and each commissioner acts as a department head; and
- Initiative and referendum.

Special Charter

The final form available is the **Special Charter**. Currently, 11 municipalities in New Jersey have this form, collectively representing 3.4 percent of the state population. The mean population size of those municipalities is 15,340. Special charter forms are variants of the standard forms presented above.

The table on the following page presents a summary of the major provisions of each form.

Summary of Major Provisions
Form of Government Options

	Direct Election of Mayor	Mayor Term	Size of Council	Council Terms	Ward/ At-Large	Partisan/ Nonpartisan	Staggered/ Concurrent	Initiative & Referendum	Chief Admin Officer Req'd	Mayor Vote on Council
Borough Form	Yes	4 yrs	6	3 yrs	At-large	Partisan	Staggered	No	No	Only in ties
OMCL Small Municipality	Optional	1, 3 or 4 yrs	3, 5 or 7 (incl mayor)	3 yrs	At-large	Either	Either	Yes	No	Yes
OMCL Mayor-Council	Yes	4 yrs	5, 7 or 9	4 yrs	At-large or Combination	Either	Either	Yes	Yes	No
OMCL Council-Manager	Optional	2 or 4 yrs	5, 7 or 9 (incl mayor)	4 yrs	At-large or Combination	Either	Either	Yes	Yes	Yes
OMCL Mayor-Council-Admin	Yes	4 yrs	6	3 yrs	At-large	Partisan	Staggered	Yes	Yes	Only in ties
Municipal Manager	No	Varies	3, 5, 7 or 9	3 or 4 yrs	At-large	Nonpartisan	Either	No	Yes	Yes
Commission	No	4 yrs	5 (incl mayor)	4 yrs	At-large	Nonpartisan	Concurrent	Yes	No	Yes
Special Charter	-	-	-	-	-	-	-	-	-	-

At the Commission's request, Dr. Reock followed up his presentation by providing a questionnaire to all Commission members to gauge their preferences on the structural frameworks offered by each available form of government. Additionally, he investigated the practicality of options for a ward-based election system, given the restriction that the populations of wards cannot vary by more than 10 percent from the population of the average ward, as determined by the decennial U.S. Census.

Questionnaires were completed and submitted by five of the six Commission members. Based on those submissions, the following appear to be general preferences of the Commission regarding government structure – issues on which the Commission members were in full agreement; issues on which they were in near-full agreement; and issues on which they were fairly evenly split.

Consensus:

The mayor should be directly elected by voters.
 The mayor should be designated as the municipality's chief executive.
 The mayor should be the presiding officer at council meetings.
 The mayor should vote on all council actions, not just to break ties.
 The mayor should appoint major officials w/ approval of council.
 The mayor should appoint council committees.
 Council members should be elected to 3-year terms.
 Council member elections should be on a staggered basis.
 There should be an appointed chief administrative officer (CAO).
 CAO should be appointed by mayor w/ approval of council.
 CAO should supervise all departments.
 CAO should prepare budget for council approval.
 Elections should be partisan.

Split, but leaning toward consensus:

The mayor should not have unilateral removal power over officials.
 CAO should not have an indefinite appointment, but rather should serve at the pleasure of the mayor or council.
 CAO should be removable by council through either a majority or supermajority vote.
 CAO powers should be determined by the council.

Evenly split:

Should mayoral term be 3 or 4 years?
 Should mayor have veto power? If so, should council override be by majority or supermajority?
 Should the mayor appoint all employees?
 Should the council be 5 or 7 members?
 Should the council be entirely at-large, or a combination of at-large and wards?

Should CAO serve at the pleasure of the mayor or the council?
Should CAO appoint all subordinate personnel?

DEBT OPTIONS

The final consolidation plan would recommend a way of handling outstanding debt of both municipalities at the time of merger. N.J.S.A. 40A:65-26 of the state's Local Option Municipal Consolidation law requires the Commission's final report to consider

"...the apportionment of existing debt between the taxpayers of the consolidating municipalities, including whether existing debt should be apportioned in the same manner as debt within special taxing districts so that the taxpayers of each consolidating municipality will continue to be responsible for their own pre-consolidation debts."

It should be noted that the consolidation law places a prohibition on the issuance of new debt for a specific period of the transition year, as cited in the following section from N.J.S.A. 40:43-66.70. However, there remains the possibility that either (or both) municipalities can continue to authorize and/or issue debt during much of the transition year (*i.e.* up to the point at which new officers are elected). Given the potential impact this could have on the fiscal impact of consolidation, it is something the Commission should take note of:

"During the period between the date of election of new officers for the consolidated municipality, and the date of consolidation, no new debt obligations, excepting emergency notes issued pursuant to N.J.S. 40A:4-51, shall be authorized and issued by any participating municipality or constituent school district. Any bonds of the participating municipalities, or any constituent school districts to be combined into a new school district, which have been authorized prior to the date of such election, or in anticipation of the issuance of which temporary notes have been issued prior to the date of such election, may be issued and delivered or permanent bonds issued, as the case may be."

Debt has been kept relatively low in both the Borough and Township, far below their respective statutory debt limits. However, for two municipalities to consolidate, the public must perceive a sense of fairness in how outstanding debt will be handled. For the final consolidation plan, the Commission would agree upon a process to be enacted at the time of consolidation based on the Township and Borough's statutorily-required Annual Debt Statements (ADS) completed as of December 31, 2011⁴.

⁴ The ADS includes two types of debt obligations: (1) debt that has already been issued, and (2) debt that has been *authorized* but not yet issued. Since the consolidation statutes forbid the issuance of further debt after a positive vote to consolidate, we have subtracted this amount from the ADS total debt, net of self-liquidating debt, and recalculated the

This section of the report presents general options for handling the debt in a consolidated Chester.

The appropriate starting point is to examine the two municipalities' current debt on an "apples-to-apples" basis. In New Jersey, the standard approach is to view debt relative to taxable valuation. Since debt will be repaid based (in part) on property taxes and the municipality must guarantee its future debt payments based on tax revenues, the debt-to-value ratio is a meaningful measure. Moreover, the ratio helps to standardize debt levels in a way that permits comparisons between and among municipalities. Larger municipalities are likely to have more debt, but also a larger tax base to offset the liability; conversely, smaller municipalities are likely to have less debt, with a smaller tax base to offset it.

In general, the revenue that can be collected by a municipality is directly proportional to the taxable valuation of the properties within it. Because the Township of Chester has significantly greater taxable valuation than the Borough (see the baseline report, *Municipal Services and Financial Overview: Township and Borough of Chester*), the Township has a greater capacity to pay down any debt. This is reflected in the debt ratios for both municipalities. According to the 2009 ADS, the Township had a debt ratio of 0.67 percent, compared to a ratio of 1.21 percent in the Borough. This is because, although the Borough's debt level is only 38 percent of the Township's, its taxable valuation is only 21 percent of the Township's.

Different Approaches

Option 1: Combine Debt

The menu options for handling debt in a consolidation can be viewed as a spectrum. At one end of the spectrum, all pre-consolidation debt of the Township and Borough can simply be combined, and then spread over all taxpayers in the consolidated municipality regardless of location within the consolidated community. Under this approach, a single uniform tax rate would be applied to all taxpayers, and the debt obligations would be met in shared fashion. This approach is consistent with the concept of

debt ratios. For the Township, the debt total is \$13,607,399. Spread across a three-year average taxable base of \$2,190,737,552, the Township's resulting debt ratio is 0.62 percent. Conversely, the Borough has no authorized-but-unissued debt, so its analogous figure is the same as the net debt that appears in its 2009 ADS. Thus, its total debt is \$5,638,360. Spread across a three-year average taxable base of \$466,488,147, the Borough's debt ratio is 1.21 percent.

“one community” – much as assets would be combined and shared in a consolidation, so too would debt.

Option 2: Segregate Debt

At the other end of the spectrum, “debt districts” could be used to pay down pre-consolidation debts until they are fully retired. Under this approach, the Township and Borough’s pre-consolidation debt would be segregated within a consolidated Chester, such that taxpayers in the former Township would pay off the Township’s pre-consolidation debt, and taxpayers in the former Borough would pay off the Borough’s pre-consolidation debt. Thus, a different tax rate would apply to property owners depending on whether their taxable property is located in the area of the former Township or the former Borough. Any newly acquired debt after consolidated would be shared on an equal basis (*i.e.* all taxpayers would pay the same rate), but the pre-consolidation debt would be segregated until it is fully retired. This approach is consistent with the idea that neither town should have to pay for the other’s pre-consolidated debts, over which they had no control. The 2007 Local Option Municipal Consolidation Law specifically allowed for the creation of debt districts for this very purpose.

During the budget process in the first year after consolidation, and for all years thereafter until all pre-consolidation debt is retired, the property tax rate would be determined based on three separate categories of debt service:

1. Debt incurred after consolidation (excluding self-liquidating utilities debt) would be part of the total budget, and would be spread across the entire consolidated community using a uniform rate;
2. The Township’s pre-consolidation debt would be paid only by taxpayers in the former Township portion of the consolidated community; and
3. The Borough’s pre-consolidation debt would be paid only by taxpayers in the former Borough portion of the consolidated community.

Thus, all taxpayers would pay a uniform rate for “Category 1” debt, but would pay different rates depending on whether they are in the “Category 2” or “Category 3” area of the new community. The rate for Category 1 debt would be determined based on the *total property valuation* of the consolidated community; the rates for Category 2 and Category 3 debt would be determined based on the total property valuation in *only the*

areas designated by the pre-consolidation boundaries of the former Township and former Borough, respectively.

Related Options (2a and 2b)

There are variants to the segregated debt district option which the Commission may want to consider. Each of the following options utilizes the debt district concept, but considers different factors in calculating the debt burden.

- Existing debt could be “equalized” at the outset of consolidation in a way that permits a shared, proportionate combination of debt going forward. Under this approach, an up-front payment could be made toward certain pre-consolidation debt obligations such that the debt ratios of the two municipalities are equalized. An equal debt ratio would ensure a truly equal sharing of debt in the consolidated community. Potential funding sources may include, but are not limited to the liquidation of certain assets and/or the use of some available fund balance.
- Existing debt could be categorized as Borough-specific, Township-specific or general in nature. Under this approach, the latter category would be treated as shared debt (with a uniform rate applied to taxpayers regardless of location in the consolidated community), while Borough- and Township-specific debt would be levied against taxpayers subject to the areas designated by the pre-consolidated boundaries of the former Borough and former Township, respectively.

CIVIL SERVICE OPTIONS

The final consolidation plan would recommend whether the merged entity should be subject to the provisions of Title 11A Civil Service. Since neither the Township nor the Borough currently operate under Title 11A, it is most logical that the consolidated entity not be subject to those provisions.

COLLECTIVE BARGAINING OPTIONS

The Township and Borough each have one collective bargaining unit. In both, the union represents police personnel. Although the units negotiate contracts independently with the Township and Borough, it is technically the same union representing police personnel in both jurisdictions – the Chester Township Police PBA Local #315 Incorporated. Under a consolidated municipality, a single collective bargaining agreement would be negotiated.

N.J.S.A. 40A:65-27d provides as follows:

“The Public Employment Relations Commission is authorized to provide technical advice, pursuant to section 12 of P.L.1968, c.303 (C.34:13A-8.3), to assist a new municipality and existing labor unions to integrate separate labor agreements into consolidated agreements and to adjust the structure of collective negotiations units, as the commission determines appropriate for the consolidated municipality.”

REAL PROPERTY AND ASSET OPTIONS

The final consolidation plan would recommend an approach for handling real property and other assets currently belonging to the Township and Borough. In the event of merger, the most basic approach would involve transferring to the new government all real and personal property currently owned by the two municipalities. This would include land, facilities, capital equipment and related supplies, as documented in the baseline report, *Municipal Services and Financial Overview: Township and Borough of Chester*.

Future Municipal Space

The new government of a consolidated municipality would have the ability to make decisions regarding the future use and/or disposition of properties. In particular, decisions would be required regarding the facilities that would house consolidated municipal operations. During the course of data collection for the baseline report, it was suggested that one possibility could involve selling one or both current municipal headquarters. Along these lines, the current Borough asset list presents the value of its municipal headquarters at 300 Main Street at \$1,080,800; the Township’s asset list presents the value of its headquarters at 1 Parker Road at \$1,530,400. It was also suggested that the former Telcordia/Lucent site, of which the Township and Borough both own portions, could present a future option for consolidated municipal operations.

Fund Balance

As presented in the baseline report, *Municipal Services and Financial Overview: Township and Borough of Chester*, as of December 31, 2008 the Township had an audited fund balance of \$1.940 in its current fund; the Borough had an audited fund balance of \$1.354 million. In both cases, the totals were net of amounts utilized as revenue for the 2008 budget year. Smaller fund balances existed in various special funds, as detailed in the baseline report.

Much like physical assets such as property and capital equipment, fund balance reserves would transfer to the consolidated municipality unless otherwise designated in the consolidation plan. Along these lines, there are several options available to the Commission. They include:

- Simply combine the fund balances into a single reserve account, for use by the new consolidated government as needed;
- Use some portion of current fund balance in either or both entities to offset certain debt obligations prior to consolidation;
- Reserve some portion of current fund balance in either or both entities to be used specifically for “district-specific” investments in the consolidated municipality (*i.e.* current Borough fund balance gets invested in former Borough area, while current Township fund balance gets invested in former Township area); and/or
- Allocate equal or proportionate shares of unreserved fund balance to be used as a “seed account” in the consolidated municipality, to ensure it begins its operations on Day 1 with a cushion to help guard against unforeseen financial demands.

Assets vs. Liabilities

While not a tangible impact of consolidation, looking at assets in the context of outstanding debt may yield valuable perspective. This may be the case especially regarding the various approaches for dealing with pre-consolidation debts (see “Debt Options” section earlier in this report).

Corporate mergers offer a corollary way of thinking about this issue. Often in corporate consolidations, the debt of each entity is “marked down” by the value of its assets. This is because the consolidated entity is not only taking on certain liabilities (*e.g.* debt), but also certain resources (*e.g.* facilities, capital equipment). Therefore, the process of “netting” outstanding debts against assets provides a clearer picture of the full financial position of both partners to the merger.

Using the debt figures presented in the “Debt Options” section of this report, the Township’s debt total is \$13.6 million and the Borough’s is \$5.6 million. By contrast, their respective asset totals are estimated to be \$79.5 million and \$24.4 million.⁵

⁵ The Township and Borough’s asset totals are estimated based upon fixed asset lists and inventories of municipally-owned property, as provided by both finance offices. In both

IMPACT ON SCHOOLS

Municipal consolidation of the Township and Borough of Chester would have no impact on, and result in no change to, the current school district/board or representation structure.

As such, any proposed consolidation of the Township and Borough of Chester is exempt from the requirements the Local Option Municipal Consolidation Law, N.J.S.A. 40A:65-25f. The Township and Borough of Chester already function with consolidated schools. Students in kindergarten through eighth grade attend the Chester School District, while grades nine through twelve go the West Morris Regional High School District.

MOVING FORWARD: KEY DECISION POINTS

The next step in the process is for the Joint Consolidation Study Commission to develop a final report. In so doing, it will rely on information compiled in this options review, as well as the baseline report, *Municipal Services and Financial Overview: Township and Borough of Chester*.

Between now and July 2010, the Commission will make a series of vital decisions. The first and most fundamental, of course, will be whether to recommend consolidation at all. Assuming it opts to recommend consolidation, a series decision points will need to be resolved in the form of recommendations to include in a final consolidation report. They primarily include:

- The date of the referendum;
- The form of government under which the consolidated municipality should operate, including the number of officers, the method of their selection and their respective terms;
- The name of the consolidated municipality;

towns, the overwhelming majority of asset value rests in property: \$76.8 million in the Township and \$23.0 million in the Borough.

- The implementation date of the consolidation, including a schedule for electing new municipal officers and installing the new government;
- The approach for consolidating functional departments, including a quantification of potential savings to be realized through structural efficiencies and, where applicable, a list of positions proposed to be merged, abolished or redeployed “for reasons of economy, efficiency or other good cause”;⁶
- Whether to propose the establishment of Civil Service;
- “The apportionment of existing debt between taxpayers of the consolidating municipalities, including whether existing debt should be apportioned in the same manner as debt within special taxing districts so that the taxpayers of each consolidating municipality will continue to be responsible for their own pre-consolidation debts”;⁷
- The approach for transferring property (real and other) to the consolidated municipality; and
- The approach for bringing current ordinances and codes together for the consolidated municipality, including whether current differences between the Township and Borough codes shall be retained in the consolidated municipality.⁸

To facilitate consolidation upon an affirmative vote of both governing bodies and voters in the community, the Commission may also opt to recommend a body (*i.e.* committee) to oversee the process of reviewing codes and ordinances.

Any final consolidation plan submitted by the Commission for approval of the Township and Borough governing bodies, and ultimately the voters, must comply with the requirements of N.J.S.A. 40A:65-26, ***Required information included in Municipal Consolidation Study Commission Reports.***

⁶ N.J.S.A. 40A:65-26

⁷ N.J.S.A. 40A:65-26

⁸ N.J.S.A. 40A:65-26