

Borough of Sussex and Township of Wantage JOINT MUNICIPAL CONSOLIDATION STUDY COMMISSION REPORT

EXECUTIVE SUMMARY

Based upon the deliberations of the Consolidation Study Commission of the Township of Wantage and the Borough of Sussex, the following conclusions have been reached:

With respect to consolidation, the Commission recommends:

THE TOWNSHIP OF WANTAGE AND THE BOROUGH OF SUSSEX SHOULD BE CONSOLIDATED INTO A SINGLE MUNICIPALITY.

ACCORDINGLY, IN COMPLIANCE WITH NEW JERSEY LAW, THE COMMISSION RECOMMENDS THAT A REFERENDUM BE HELD ON NOVEMBER 3, 2009, TO SUBMIT TO THE REGISTERED VOTERS OF THE BOROUGH OF SUSSEX AND THE TOWNSHIP OF WANTAGE THE QUESTION OF WHETHER OR NOT THE PARTICIPATING MUNICIPALITIES SHALL BE CONSOLIDATED INTO A SINGLE NEW MUNICIPALITY PURSUANT TO THE PLAN OF CONSOLIDATION SET FORTH IN THIS REPORT.

With respect to form of government, the Commission recommends:

THE CONSOLIDATED MUNICIPALITY SHOULD OPERATE UNDER TERMS OF THE OPTIONAL MUNICIPAL CHARTER LAW, UTILIZING THE COUNCIL-MANAGER FORM WITH A SEPARATELY ELECTED MAYOR AND SIX (6) MEMBERS OF THE COUNCIL, ALL OF WHOM SHOULD BE ELECTED AT LARGE; ELECTIONS SHOULD BE PARTISAN.

With respect to the name of the consolidated municipality, if approved by voters, the Commission recommends:

**THE CONSOLIDATED MUNICIPALITY SHOULD BE KNOWN AS
THE TOWNSHIP OF SUSSEX-WANTAGE**

With respect to timing of consolidation, the Commission recommends:

FULL CONSOLIDATION SHOULD OCCUR AS SOON AS STATE LAW PERMITS.

- ELECTION OF NEW MUNICIPAL OFFICERS WOULD OCCUR NOVEMBER OF 2010
- INSTALLATION OF NEW GOVERNMENT WOULD OCCUR ON JANUARY 1, 2011
- TERMS OF OFFICE WOULD BE STAGGERED - MAYOR AND THREE (3) COUNCIL MEMBERS WOULD BE ELECTED FOR A 4 YEAR TERM; THREE (3) OTHER COUNCIL MEMBERS WOULD BE ELECTED FOR A 2 YEAR TERM FOLLOWED BY A 4 YEAR TERM.

(Please see **Appendix O**: *Report on the Form of Government*)

With respect to duplicate positions and positions proposed to be merged, the Commission recommends:

ALL DUPLICATED STATUTORY AND MANDATED OFFICES IN THE EXISTING MUNICIPALITIES SHOULD BE ABOLISHED AND REPLACED WITH SIMILAR OFFICES IN THE CONSOLIDATED MUNICIPALITY.

(For a detailed view of these offices, as well as positions proposed for consolidation or elimination, see **Appendix A: Report on Possible Benefits and Drawbacks to Consolidation: STAFFING**)

With respect to the applicability of Title 11A (Civil Service), the Commission recommends:

BECAUSE THE TOWNSHIP OF WANTAGE HAS ADOPTED THE PROVISIONS OF TITLE 11A OF STATE STATUTES (THE STATE-ADMINISTERED CIVIL SERVICE PERSONNEL SYSTEM), VOTERS MUST DETERMINE WHETHER A CONSOLIDATED MUNICIPALITY WILL FUNCTION UNDER THAT SYSTEM. THEREFORE, AN ADDITIONAL QUESTION ON THE BALLOT WILL READ AS FOLLOWS: “SHALL THE CONSOLIDATED MUNICIPALITY BE SUBJECT TO THE PROVISIONS OF TITLE 11A CIVIL SERVICE?”

The following is provided for informational purposes:

- Sussex Borough does not operate under the Civil Service system. Wantage Township does.
- Each municipality's salary contracts are negotiated separate from Civil Service
- Civil Service determines the guidelines by which employees are hired and established their work rules
- The Consolidation Committee has recommended that Civil Service not be established in the new municipality
- The Consolidation Commission feels that the new municipality should make the determination itself regarding the establishment of Civil Service and urges the citizens of Sussex and Wantage to make that decision through their vote on the additional question that will be on the referendum ballot.

(See **Appendix B: Title 11A, Civil Service** for a more in-depth analysis of the issues involved in whether or not to adopt the provisions of Civil Service law)

With respect to apportionment of existing municipal debt if the municipalities consolidate, the Commission recommends:

EXISTING DEBT SHOULD BECOME THE RESPONSIBILITY OF THE CONSOLIDATED MUNICIPALITY, BECAUSE THE RELATIVE EXISTING DEBT BURDEN IN THE TWO TOWNS IS NEARLY IDENTICAL.

(See **Appendix D: Fiscal Aspects of Consolidating Sussex Borough and Wantage Township** for a detailed discussion of debt issues)

With respect to the power of the existing municipalities to issue additional debt if the consolidation vote is positive, the Commission recommends:

AFTER AN AFFIRMATIVE VOTE FOR CONSOLIDATION, ANY NEW INDEBTEDNESS MUST BE APPROVED BY BOTH INDIVIDUAL MUNICIPALITIES FROM THE TIME OF THE REFERENDUM UNTIL THE ELECTION OF OFFICIALS THE FOLLOWING NOVEMBER. BETWEEN THE NOVEMBER ELECTION AND THE INSTALLATION OF THE NEW GOVERNMENT, NO INDEBTEDNESS MAY BE INCURRED EXCEPT FOR EMERGENCY SITUATIONS. ALL NEW SCHOOL-RELATED INDEBTEDNESS WOULD NEED THE APPROVAL

OF BOTH COMMUNITIES DURING THE TIME PERIOD FROM THE POSITIVE REFERENDUM TO THE INSTALLATION OF THE NEWLY ELECTED OFFICIALS.

(See Appendix L: Debt Obligations and Bond Issues for a more in-depth analysis of the issues involved concerning consolidated debt obligations)

With respect to transfer of property from the existing municipalities to the consolidated municipality, the Commission recommends:

THAT ALL REAL AND PERSONAL PROPERTY OF THE EXISTING MUNICIPALITIES BE TRANSFERRED TO THE CONSOLIDATED MUNICIPALITY (BECAUSE THE SCHOOL DISTRICT IS ALREADY REGIONALIZED, NO TRANSFER OF SCHOOL PROPERTY IS REQUIRED).

With respect to the Sussex/Wantage Regional School District, the Commission recommends:

THAT THE PRESENT REGIONAL SCHOOL DISTRICT BE CHANGED TO A UNIFIED TYPE II SCHOOL DISTRICT.

With respect to the High Point Regional School District, the Commission recommends:

THAT THE PRESENT NUMBER OF REPRESENTATIVES FROM BOTH WANTAGE AND SUSSEX BE COMBINED AND ELECTED AT-LARGE FROM THE NEW CONSOLIDATED MUNICIPALITY.

(See Appendix C: Board of Education Representation for a detailed discussion and the NJ Attorney General's opinion)

With respect to ordinances, rules and regulations of the existing municipalities that may be adopted by the governing body of the consolidated municipality, the Commission recommends:

ALL PRESENT ORDINANCES IN BOTH MUNICIPALITIES THAT ARE FOUND TO BE COMMON IN NATURE TO BOTH FORMER MUNICIPALITIES SHOULD BE COMBINED INTO ONE ORDINANCE WHICH SHALL SERVE THE USEFUL PURPOSES OF THE NEWLY COMBINED MUNICIPALITY. ALL EXISTING ORDINANCES THAT SERVE THE UNIQUE ISSUES OF THE VARIOUS SECTIONS OF THE TWO FORMER MUNICIPALITIES (SUCH AS BUT NOT LIMITED TO MUNICIPAL SERVICES, OPEN SPACE, PARKING, ETC.) SHALL BE PRESERVED IN THE ORDINANCE BOOK OF THE NEW CONSOLIDATED MUNICIPALITY.

With respect to variations from existing state law, the Commission recommends:

THAT A WAIVER BE GRANTED IN THE NJDEP WASTEWATER PLAN TO ALLOW FOR THE DEVELOPMENT OF UNDEVELOPED LAND WITHIN SUSSEX BOROUGH AND ALONG THE SOUTHERN PORTION OF THE ROUTE 23 CORRIDOR IN WANTAGE AS WAS ORIGINALLY APPROVED BY THE COUNTY OF SUSSEX.

With respect to use of advisory planning districts, the Commission recommends:

THERE SHOULD BE A DETAILED EXAMINATION AND HARMONIZATION OF THE MASTER PLANS OF BOTH MUNICIPALITIES IF A POSITIVE CONSOLIDATION VOTE OCCURS.

(See Appendix P: Planning and Zoning Report)

With respect to the establishment of special service districts, the Commission recommends:

THE SERVICES PROVIDED IN EACH MUNICIPALITY SHOULD BE CONTINUED UNDER THE NEWLY CONSOLIDATED MUNICIPALITY FOR A PERIOD OF THREE (3) YEARS FOLLOWING THE INSTITUTION OF THE NEW GOVERNMENT, AT WHICH TIME THE NEWLY CONSOLIDATED MUNICIPAL GOVERNMENT CAN DETERMINE THE CONTINUANCE OF SUCH SERVICES.

(See Appendix M: Public Works and Utilities Subcommittee Report for additional details)

With respect to the three fire companies and the EMS that presently service Sussex Borough and Wantage Township, the Commission recommends:

THAT THE AREAS OF SERVICES AND FUNDING AGREEMENTS BE CONTINUED AS WAS PREVIOUSLY DONE AND PREVIOUSLY APPROVED BY THE NJ STATE LOCAL FINANCE BOARD.

(See Appendix F: Fire and Rescue Services Report and Appendix N: Letter from the NJ State Finance Board for additional details)

REASONS FOR RECOMMENDATIONS

In making its recommendations, the Commission has come to these conclusions:

1. Sussex and Wantage function as one community. While they are different physically, financially, and socially, they are a unit. Sussex sits at the center of that unit, forming its core. Together, they are a classic American rural society, with a dense center surrounded by a lot of open land with a relatively sparse population interspersed with farmland.
2. While the fortunes of Sussex and Wantage affect each other's residents, their separate governments as presently separated are unable to deal with mutual issues in a coordinated way.
3. While it is clear when one is in the middle of Sussex, only the most knowledgeable can tell when they have crossed into Wantage. The octagonal borderline is artificial and meaningless.
4. The communities currently share schools, library, shopping, services, restaurants, post office, court system, animal control, tax assessor, housing inspection services, and houses of worship. Only their elected governments are separate.
5. As a single community, Sussex and Wantage could address issues without regard to borders.
6. Economic development is a key issue, a source of jobs, services, and tax revenues. Wantage has land available, but does not have public utilities to service new developments. Sussex has public utilities,

but does not have land for development. As one community, all residents would reap the benefits of planned, sustainable development that serves their needs.

7. The State of New Jersey's current emphasis on consolidation offers an opportunity to use state funds to help mitigate any temporary adverse financial effects of consolidation.
8. While the State's current approach to consolidation is supportive and helpful, there are increasing indications that some at the state level would consider coercive, or even forceful, measures to influence communities such as Sussex and Wantage to consolidate.
9. Because identity is based more on tradition and post-office address than on political boundaries, Sussex will maintain its own identity and character. Wantage, too, will maintain its identity and character. There are no likely scenarios that will force change on the communities or the sense of "place" that they represent.
10. Because so many municipal services are currently shared by both communities, the immediate financial savings of consolidation might not be as great as one would anticipate. However, consolidation will enable the new municipality to better control rising costs of those municipal services in the future years and bring about more financial stability to the residents of both municipalities.

COMMUNITY CONCERNS AND ISSUES

Early in its deliberations, the Commission identified a number of community concerns and issues. These concerns and issues were discussed and verified at a public forum held on October 8, 2008, at High Point Regional High School.

As a result of that process, the Commission identified these critical elements to be addressed as part of its study:

Developing a complete financial picture of the two communities

Findings and Comments: The NJ Department of Community Affairs prepared a financial analysis in connection with the Commission's work (see [Appendix D: Fiscal Aspects of Consolidating Sussex Borough and Wantage Township](#)). That report concluded that — without considering any potential savings as a result of consolidation — there would be a small tax increase in Wantage and a large tax reduction in Sussex.

Members of the Commission, working with the Commission's consultants, developed a forecast of savings that would result from consolidation. Applying those savings to the NJ DCA report, the result would be reduced taxes in both sections of the consolidated community (see [Appendix J: Change In Residential Taxes with Projected Savings Due to Consolidation](#)).

Both communities were found to be financially sound and responsible. However, the charts included in the consultant's report *Budget Trends in Sussex & Wantage* (included as [Appendix I](#)), clearly shows that communities face additional tax increases as non-tax revenues stagnate at the same time expenditures increase.

Complete evaluation of the Sussex utility system.

Findings and Comments: The Commission's consultant filed a complete report on the Sussex utilities (see [Appendix H: Overview of Borough of Sussex Water and Sewer Utility](#)). That report found that there are opportunities to increase the capacity of both the water and sewer systems through capital updates of an aging infrastructure.

The report also suggested that the utility could act as an effective economic development tool for a consolidated municipality, in a way that it could not do for Sussex alone.

When combined with the findings of the study on *Population Projections* ([Appendix K](#)), the utility report also allayed fears in the Sussex community about losing its utility system, and contrary fears in the Wantage community about being forced to connect to the utilities. The most effective use of the utilities by a consolidated community would be to aid property owners with failing septic systems or wells and to generate economic development.

Form of government

Findings and Comments: After considering the many forms of government available under New Jersey law, the Commission determined that the best form for a consolidated Sussex-Wantage community would be council-manager plan with a separately elected mayor and a six-member council, all of whom would be elected on an at-large basis. There were long deliberations on whether a ward system should be established in the new municipality, with Sussex Borough being a part of one of the wards (state law requires that wards be balanced by population; thus, Sussex could not be its own ward). Discussions focused on concerns that Sussex Borough's smaller size and unique issues might not be duly represented in the new municipal government. Further discussion showed that in many of the organizations that are shared by both municipalities (churches, schools, library, etc.), people respected each other's abilities and contributions on a personal level rather than on a geographic level. After much debate, it was concluded that Sussex Borough's unique concerns might be better served by a government whose officials were elected at-large rather than in a ward situation. The at-large situation would allow the possibility of more people from Sussex to be a part of the new government than the limiting constrictions of a ward system in which Sussex Borough would be only a small part of one ward. The Commission recommends a partisan form, with elections in November.

Analysis of the two communities' master plans and any potential need for harmonization

Findings and Comments: During the course of its work over the last six months, the Commission determined that (1) there appear to be no major inconsistencies between the two communities' master plans and that (2) detailed examination and harmonization of the master plans is a major task best left until after a consolidation vote.

Development of a complete transition plan, including services to be provided and staffing levels

Findings and Comments: The Commission dealt with two major elements of transition:

- 1. Elimination of duplicate positions and stabilization of the workforce --** A report developed jointly by the Commission and its consultants, entitled *Possible Benefits and Drawbacks to Consolidation: STAFFING* ([Appendix A](#)) deals with duplicated positions and the projected consolidated workforce. That report forecasts potential savings of more than \$500,000.

That report specifically does not recommend particular employees for layoff. Rather, it projects which and how many positions will be needed by a consolidated town of about 13,000 residents. The report also recognizes that these decisions would be made by a new governing body that would take office in January 2011, if voters approve consolidation.

Harmonization of laws and ordinances --

If voters approve consolidation, the local ordinances governing the two municipalities will require thorough review and harmonization. If consolidation is approved, there will be transition year between the vote in November 2009 and the creation of the new municipality in January 2011. The Commission recommends that ordinances be reviewed during that year, using this approach:

- A committee of ten representatives shall be established only after a positive referendum vote occurs to consolidate both municipalities. Five members will be from the Borough of Sussex and five members will be from the Township of Wantage.
- The five members from each municipality will include but not be restricted to an elected official from the municipality, a town or borough administrative employee, and a member from the Consolidation Study Commission from said borough or township. All five members from each municipality will be approved by the seated elected council or committee members of each municipality within two months of a positive outcome for consolidation.
- This Local Ordinance Committee (LOC) will be responsible to organize and prepare for submission to the new governing body the revised ordinances that should govern the newly consolidated municipality. This report will be submitted to the newly elected members of the governing body of the consolidated municipality for its approval or amendment at the initial organization meeting of the new municipality.
- All present ordinances in both municipalities that are found to be common in nature to both former municipalities should be combined into one ordinance that shall serve the useful purposes of the newly combined municipality.
- All existing ordinances that serve the unique issues of the various sections of the two former municipalities (such as but not limited to municipal services, open space, parking, etc.) shall be preserved in the ordinance book of the new consolidated municipality.
- All existing ordinances in the borough or the township that are not useful or viable for the new consolidated municipality shall be eliminated.
- The ordinances in regards to Land Use/Zoning shall be reviewed. Those that are recommended for continuation are to be placed in the new book of ordinances for use in the newly consolidated municipality.
- The LOC will not recommend any ordinance change that would be deemed illegal or are within the constitutional boundaries of the laws and ordinances of the State of New Jersey.
- The LOC will be dissolved once their report has been submitted to and received by the elected officials of the new consolidated municipality.

Maintenance of identities of the two communities

Findings and Comments: Community identity depends on many factors other than governmental boundaries. Often, those boundaries are identifiable only by “Welcome to...” signs or a change in the color of street markers. Community identity is based on how people envision themselves and how they associate and socialize. As noted elsewhere, people of Sussex and Wantage currently share schools, library, shopping, services, restaurants, and houses of worship. Only their governments are separate. Neither post office address, nor ZIP codes, nor how people identify themselves will change because of consolidation. How they govern themselves will simply become more efficient.

Potential impact if existing shared-service agreements were not renewed when the contracts expire

Findings and Comments: Although no detailed studies of costs and benefits were done by the Commission, this conclusion can be reached: tax assessment, municipal court, code administration, and animal-control services are already shared by the two communities (Sussex paying a fee to Wantage to provide the services). There is no question that it would be more expensive for Sussex to provide those services on its own. There is equally no question that, without serving Sussex, Wantage’s employees would face a potential loss of hours and income.

Police services, and the options available

Findings and Comments: At the Commission’s request, the consultants prepared a report on *Mandatory Payment for State Police Services in Rural Municipalities* (Appendix E), which included an examination of local alternatives for providing police services. Based on that report, the

Commission concluded that (1) action by the NJ Commission on Local Mandates eliminated any further need to consider the issue of mandatory payments to the state, and that (2) there would be no requirement for a consolidated municipality to establish a police force, and that (3) various options for providing police services in a consolidated municipality would be available if the new community determined that police services are needed.

Status of low-income housing and state Council on Affordable Housing requirements

Findings and Comments: – The Consultant’s report entitled *Summary of Status of Council on Affordable Housing (COAH) Rule Compliance (Appendix G)* addresses this question. The conclusion of the report is that the current total requirements with which each municipality must comply would apply to the newly consolidated municipality.

HISTORY OF THE COMMISSION STUDY

In the month of April 2008, Wantage Township and Sussex Borough each adopted a resolution authorizing the establishment of a Consolidation Study Commission to prepare a report concerning the feasibility and benefits of consolidating the two municipalities. Specifically, the two municipalities took action as authorized in NJSA 40:43-66.39 by adopting identical resolutions stating that the governing bodies seek formation of a joint Consolidation Study Commission. Thereafter, the governing bodies of Wantage Township and Sussex Borough amended their Resolutions, such that the statutory reference for proceeding is now identified to be both NJSA 40:43-66.35 et seq., and NJSA 40A:65-25 et seq.

On June 9, 2008, the Local Finance Board of New Jersey approved a Petition from Wantage Township and Sussex Borough for an “Application to Create a Municipal Consolidation Study Commission Pursuant to the Local Option Municipal Consolidation Act.” In approving this application for a Consolidation Plan, the Local Finance Board accepted the actions already taken by the governing bodies, creating membership on the Consolidation Study Commission through the resolutions adopted on April 15, 2008 and April 24, 2008. In this petition, Wantage Township and Sussex Borough also established a time frame for completion of the Study to be a date no later than May 1, 2009; requested a waiver of the three-month review of State agencies, in favor of a two-month time for review by State agencies to be completed no later than July 1, 2009; and requested a waiver of the requirement stated in N.J.S.A. 40A:65-25.d for public hearings within each municipality, since both municipalities have already proceeded with this aspect of the process under the provisions of N.J.S.A. 40:43-66.35.

Wantage Township and Sussex Borough held a joint special meeting on Tuesday, June 17, 2008, at which time the members of the Wantage governing body and Sussex governing body named their respective members to the Joint Consolidation Study Commission. At the June 17 meeting, a consensus was reached to hold the Organization Meeting of the Consolidation Study Commission on July 1, 2008.

Based on direction provided at its Organization Meeting, the Commission Chairman submitted a proposed budget of the Commission for consideration and approval of the governing bodies of Wantage Township and Sussex Borough. This budget, in the total amount of \$46,000, was approved through resolutions by both municipalities in the month of July 2008. Thereafter, the Consolidation Study Commission submitted a Grant Application to the New Jersey Department of Community Affairs, through Wantage Township, seeking reimbursement of the \$46,000 costs to be incurred in this study. The State of New Jersey approved this grant application in September 2008.

In accordance with the requirements of NJSA 40:43-66.47, the Commissioner of Community Affairs appointed John Doyle to act as his representative to the commission. In accordance with N.J.S.A. 40:43-66.54, the New Jersey Department of Community Affairs submitted the required five-month report of fiscal findings to the Consolidation Study Commission in November 2008 with a revision dated February 2009.

On August 6, 2008, after due deliberation, the Commission hired Government Management Advisors, LLC of East Brunswick, New Jersey to act as the Consultant to the Consolidation Study Commission.

In accordance with the Consolidation Plan submitted and approved by the Local Finance Board, the creation of a Preliminary Report has been waived in favor of concentrating on this single, comprehensive Final Report.

We, the members of the Joint Consolidation Study Commission of Wantage Township and Sussex Borough, appreciate the trust and responsibility placed in our hands by the governing bodies of our respective municipalities, and hope that the results of our study are found to be both helpful and appropriate by the citizens of our community.

**Respectfully Submitted by the Joint Consolidation Study Commission
of Wantage Township and Sussex Borough**

Wantage Township Representatives:

Wayne Dunn
Sharon Hosking
E. Gregory Kresge
Arthur Jacobs
Earl Snook, Chairperson

Sussex Borough Representatives

Pamela Flynn
Alonzo Little
Charles McKay
Edward Meyer
Salvatore Lagattuta, Vice-Chairperson

New Jersey State Department of Community Affairs Representative:
John T. Doyle

RECOMMENDATIONS

- This Commission recommends that a referendum be held to submit to the registered voters of the participating municipalities the question of whether or not the participating municipalities shall be consolidated into a single new municipality pursuant to the plan of consolidation set forth in the report.
- This commission recommends adoption of the plan or form of government identified in the Executive Summary of this study, namely, the Council-Manager Plan.

Signature: _____


Earl Snook, Commission Chairman

Date: _____

May 18, 2009

List of Appendices:

- Appendix A: *Possible Benefits and Drawbacks to Consolidation: STAFFING*
- Appendix B: *Title 11A – Civil Service*
- Appendix C: *Board of Education Representation and the Attorney General’s legal opinion*
- Appendix D: *Fiscal Aspects of Consolidating Sussex Borough and Wantage Township*, a report to the Joint Municipal Consolidation Study Commission of Sussex Borough and Wantage Township
- Appendix E: *Mandatory Payment for State Police Service in Rural Municipalities*
- Appendix F: *Fire and Rescue Services Report*
- Appendix G: *Summary of Status of Council on Affordable Housing (COAH) Rule Compliance*
- Appendix H: *Overview of Borough of Sussex Water and Sewer Utility*
- Appendix I: *Budget Trends in Sussex & Wantage, 2004-2008*
- Appendix J: *Change in Residential Taxes WITH Projected Savings Due to Consolidation*
- Appendix K: *Population Projections for the Sussex/Wantage Area*
- Appendix L: *Debt Obligations and Bond Issues of the Newly Consolidated Municipalities*
- Appendix M: *Public Works and Utilities Subcommittee Report*
- Appendix N: *Letter from the NJ State Finance Board concerning Fire and EMS payments*
- Appendix O: *Report on the Form of Government*
- Appendix P: *Planning and Zoning Report*

Borough of Sussex and Township of Wantage
Joint Municipal Consolidation Study Commission
Minority Report

I voted NO because except for a handful of property owners in Wantage this consolidation is 100% for the benefit of Sussex Borough taxpayers. Wantage Taxpayers, as Sal put it after we all voted with a hand symbol making a big O and stating it's a shame that Wantage Taxpayers, get zero from this consolidation. I can't blame Sussex borough members on the consolidation committee for voting yes, they will get many, many thousands of dollars of tax breaks over the years. I can't understand why the members from Wantage betrayed the taxpayers of Wantage and voted yes for it knowing all we would get is higher TAXES from it.

I will write a complete detail of all the reasons why consolidation is bad after the August vote. If I do it now all the state representatives and the Sussex borough representatives will only try to spin it.

Arthur Jacobs

POSSIBLE BENEFITS AND DRAWBACKS TO CONSOLIDATION: STAFFING

This report consolidates work by

- the Joint Consolidation Study Commission's committee on administration
- Government Management Advisors, LLC, consultants to the commission
 - Duplicate positions report
 - Workload & staffing analysis

BUILDINGS

Shutter the Sussex Municipal Building; use the Wantage Municipal Building for the new township. Cost Savings: No monthly utilities, saving approximately \$12,000 a year. In addition, the building will eventually be sold for a one-time return of approximately \$250,000.

EMPLOYEE BENEFITS

Health benefits in Sussex and Wantage seem to be quite different:

- During years 1-5 of employment, Sussex provides health insurance for just the employee; years 6 and beyond, Sussex provides health benefits from NJ Plus for employee and family.
- Wantage's policy offers health benefits to a wide range of people including township committee members and part-time employees. . Also, as an additional benefit, Wantage offers its employees a yearly sum of \$120 for a life insurance policy.

If both towns combine, we recommend a work force reduction of four jobs, which will mean the reduction of four benefits packages. (Please see the last page for a complete review of projected savings in salaries and benefits, which total more than \$400,000.)

One benefit that should be examined is the yearly payout of \$2,000 dollars to each retired individual who has worked for more than 25 years in Wantage Township. This payment is to buy supplementary insurance to fill the gaps where Medicaid leaves off. This is a benefit that could turn into a hefty yearly payout for a combined town, where 25 retirees could mean a payout of \$50,000 a year. This should be examined by the new town council.

Indeed the new town council will have to deal with negotiating a completely new contract with its hired employees. Wantage's contract ends on Dec. 31, 2009. Other than the payout to retirees with 25 years service, both Sussex and Wantage employees retire under the P.E.R.S. program Public Employees Retirement System. (Article 5, section 2 of the Sussex Borough contract)

One benefit that Sussex Borough provides is reimbursement for 100% payment of employee's tuition costs required to maintain or obtain certification, they also provide 50% cost reimbursement for any tuition costs which increase an employee's value to the Borough" (Article 5, section 3). The Borough also pays for conferences and lodgings while at conferences. The employees have to stay for two more years after reimbursement on tuition; if they leave, they have to repay the amount reimbursed. Wantage, we believe may have the same type of agreement, which should be left in place.

Appendix A

LONGEVITY

Longevity Pay in Sussex Borough is on this schedule:

- 5+ years \$600
- 10+ years \$1200
- 15+ years \$1,800
- 20+ years \$2,400
- 25+ years \$3,000

This is a benefit that Wantage does not seem to have. This could also be looked at.

SALARY CONSIDERATIONS BY DEPARTMENT

Construction Department

Using Wantage's organization paradigm as a model the Administration committee sees no need to change any of the officials from the Construction Department detail sheet. The inspectors' duties might increase slightly but, basically, this is already a shared service. The savings will be minimal.

Department of Public Works

The work rules are different in Wantage, as best as we can tell. If so, it means that either all jobs have to be relinquished and people are rehired based on interviews. If we use, for the sake of argument, the Wantage paradigm again, we believe that all but two jobs could be restructured into a Civil Service Contract that would be negotiated by the new town's council.

Because there are two towns with two heads of DPW, one of those jobs would be relinquished. The salary in Sussex is \$68,543. The salary in Wantage is \$65,166. Using the higher salary as the pay and the lower salary as the savings, this move would save \$65,166. (The benefits package has already been examined.)

While two superintendents of public works would be redundant, it should be noted that the Sussex utilities would continue to require the expertise of an experienced manager. That cost, however, would presumably be borne by the utility.

Township Administrator and Office Staff:

If the Sussex borough administrator's (\$50,000) and the Wantage township administrator's jobs (\$119,905) were combined, the new administrator would make \$119,905 and thus save a further \$50,000.

Also, there is no need for two chief financial officers. In Wantage, the salary is \$57,200 plus benefits. In Sussex, it is a part time job at \$20,430 with no benefits. This is another \$20,430 savings.

It is also the recommendation of the administration committee that the new town's council also streamline the offices of administration and finance. Based on a comparison with staffing and workload in other communities, it appears that one administrator/clerk with two support staff

Appendix A

would be adequate for a consolidated municipality. A finance staff of four should be adequate to cover treasury, investment, payroll, and revenue-collection functions. Thus, a consolidated staff of seven would perform the work now done by 9.8 employees of the two towns.

An analysis of these and other proposed changes can be found at the end of this report.

NOTE ON DISPARITIES

Overall, there is quite a disparity between salaries of similar positions in the two towns. If people from the Sussex municipal model move over to the new town's pay scale and the new town's pay scale is set using Wantage as the model, they're in for a big raise. Conversely, if Sussex Borough's model were used, there would be some streamlining and salary reductions in the new model.

Pay- and job-related issues:

- The tax collector in Sussex, who also collects the water bills, makes \$425 a week, or approximately \$21,000 a year. In Wantage the tax collector, who only collects taxes, makes \$57,000 a year.
- Wantage has many more tax accounts, but how do you combine these jobs and not have someone take a huge pay cut, or someone else receive a giant pay raise?
- When the new town structures its financial operations, it should make all revenue collection, including utilities, the responsibility of the collector.

These are issues that a new governing body and administration would need to address. However, we can approximate a model based on the larger town, Wantage. The problem is that Wantage has the "heavier" personnel and benefits packages. Wantage's current health-insurance costs are much higher than Sussex's. The new governing body would have the opportunity to re-evaluate these costs and packages. In projecting the pay-and-benefits savings from consolidation, we have used Wantage's pay scale, but the less-expensive State Health Benefits Program currently offered by Sussex.

The detailed analysis at the end of this report summarizes the salary-and-benefit results of eliminating duplicated positions, as well as other reductions based on the workload analysis. In addition to the \$400,000+ that the consolidated municipality would save from following these recommendations, there is the possibility of an additional \$175,000+ to be saved from changing to the less-costly State Health Benefits Program.

Council member's pay

Council members in Wantage make \$3,200. Council Members in Sussex make \$1,300. As stated earlier, in Wantage they are offered health benefits totaling 78,000 a year collectively.

We recommend a five-member governing body, each paid \$3,200 with no benefits.

WORKLOAD ANALYSIS

For this study, municipal officials provided information on operations and workload by completing survey forms for the two communities. The forms are based on those used in Summit Collaborative's larger performance-measurement study. With completed forms in hand, the consultant reviewed the information in detail with the two administrators and, as needed, discussed the data with other officials.

Appendix A

As is typical for smaller communities, many employees in Wantage and Sussex "wear multiple hats," performing a variety of tasks and having their salaries budgeted in several accounts. It was important to get an accurate view of how these employees' time is allocated. In all cases, estimates provided by local officials have been used, after detailed interview with the consultants. An extensive time-and-motion study of individual workers was not feasible.

The gathered data were then analyzed in light of the figures from the earlier performance-measurement studies.

Summary of analysis

The following table shows current combined Wantage and Sussex staffing levels, forecasts the needs of a consolidated municipality, and offers comments on the analysis of workload.

Function	Current combined	Projected	Comment
Administration			
Administrator/clerk	2.0	1.0	Only one CAO-clerk is needed
Support staff	2.0	2.0	Two support staff could handle all duties for a community of this size
Code administration			
Construction code	2.3	2.0	Currently a shared service; # of permits processed per employee is low compared with other communities
Planning & zoning	1.2	1.2	Existing staff should be able to handle current load, plus some additional
Property maintenance	1.5	1.5	Currently a shared service; appears very efficient compared with other communities
Municipal court	2.3	1.5	Newly created shared service; with backlog eliminated, a smaller staff could handle the caseload
Public works			
Road maintenance	12.3	12.3	The workload per FTE is already very high
Vehicle maintenance	1.0	1.0	The workload per FTE is already very high
Building maintenance	1.0	1.0	The workload per FTE is already very high
Grounds maintenance	2.4	2.4	The workload per FTE is already very high
Financial operations			
Assessment	2.3	2.3	While the workload per FTE appears low, farmland assessments require a lot of additional work
Revenue collection	2.8	2.0	Workload analysis indicates a possible savings
Treasury/general	3.0	2.0	Even at the reduced level, workload would be relatively low compared with other towns
SUMMARY	36.1	32.2	

As a result of the analysis, GMA forecasts that staff economies can be realized in certain functions. This forecast is based on typical workloads found in the other communities that have been part of the previous performance-measurement studies. Special conditions have been

Appendix A

taken into account, specifically with regard to the very large number of farmland assessments in Wantage.

It appears that four FTE positions could be eliminated because of consolidation. In some cases, this is elimination of redundant positions (administrator-clerk, for instance); in other cases, reduction comes from improved efficiency, based on the comparative workload analysis.

Notably, code administration, court, assessment, and collection are already shared services that presumably have already yielded economies. Despite these previous economies, it does appear that further efficiencies could be realized, based on data from the communities in the performance-measurement study.

CONCERNS & SUMMARY

It is common for neighboring towns to have different salaries and benefit packages. The governing body of a newly consolidated municipality will need to look at the needs of its new constituency and determine staffing patterns, salaries, and benefits that will best meet those needs. This report is meant to show one possible pattern, based on elimination of duplicate positions and on comparison with staffing patterns in other communities.

Total savings per year of about \$585,000 are projected. Those savings are shown in detail on the last page of this report.

It will be important for the new governing body to begin with a very lean organization. As the new town gains experience with providing coordinated, consolidated services, it can make appropriate adjustments. If it begins with too large an organization, the process of slimming down can become a long and arduous one. If it begins lean, it can easily and quickly add staff as needed.

Title 11A Civil Service

Appendix B

Because the Township of Wantage adopted the civil service system to govern its personnel policies, procedures and administration, N.J.S.A. 40A:65-26 a.3 requires the Consolidation Study Commission to address the

“... applicability of the provisions of Title 11A, Civil Service, of the New Jersey Statutes, if Title 11A has been adopted by one or more consolidating municipalities.”

No matter what the recommendation of the Commission will be, as per 40A: 65-26c, “... the question of whether the new municipality shall be subject to the provision of [Title 11A] shall be the subject of a public referendum before all of the voters of the consolidating municipalities.”

Should the Consolidation Commission recommend consolidation of the municipalities: The Commission needs to understand the issue, provide a recommendation to the electorate and add the following language to the ballot upon which the question of consolidation appears:

“Shall the consolidated municipality be subject to the provisions of Title 11A Civil Service?”

The Commission should issue a report on the subject as part of the overall consolidation report and provide a recommendation on the matter. If the question proceeds, it will be necessary to provide an explanatory statement for inclusion with the question on the ballot.

Civil Service and NJDOP

Introduction

Currently, the Township is under the jurisdiction of Title 11A and the Borough is not. Because the Township of Wantage is presently under the jurisdiction of the Title 11A, the statute requires that the referendum on consolidation include a question on applicability of the provisions of Title 11A, Civil Service to the newly consolidated municipality. Which of the two alternatives should the Commission recommend? Why? The following is an attempt to present advantages and disadvantages of each choice.

What is Civil Service or the New Jersey Department of Personnel?

First it is important to understand how Title 11A affects municipal personnel administration. Civil Service as it has been traditionally known was originally a reform movement to “remove politics from personnel administration.” When a municipality is without a well developed personnel system, Civil Service and NJDOP provide a basic system.

In New Jersey the program went through a reform process of its own in the mid-1980 when the Civil Service Commission became known as the Merit System Board and the administrative offices became known as the Department of Personnel (NJDOP). It was hoped at that time that the bureaucratic characteristics of the Commission could be resolved with the reforms. While some of these characteristics were removed, many governmental administrators continue to complain of management problems created by the law, regulations and staff. Typically these complaints center around employee oriented protections and bureaucratic rigidity. Others find the system to be satisfactory.

In the last budget, the Governor and the Legislature abolished the Department of Personnel as a cost savings act. Personnel were to have been transferred to the Department of Treasury. However, recently Commissioner of Personnel, Hope Copper, still was the person in charge of the staff in the former Department of Personnel.

Impact of Civil Service

When a municipality is under Title 11A, nearly all personnel actions of significance must be consistent with NJDOP rules and regulations and be approved by the appropriate departmental personnel. These actions include:

- record keeping practices and procedures,
- hiring through open competitive examinations or to non-competitive positions,
 - “Rule of 3” – The municipality must appoint a candidate who scored among the top three on the NJDOP test or qualifying process.
 - If disabled veteran and veteran pass the test, they are automatically elevated to the top position, respectively.
 - If the municipality has not utilized the certified list of eligible candidates from a NJDOP conducted test, the municipality is liable to make payment to NJDOP for the cost of the test.
 - Municipalities are required to conform to NJDOP timetables
- disciplinary actions including preliminary notices of discipline, final notices of discipline, hearings, appeal processes and attendant record keeping,
- termination as the ultimate progressive disciplinary action,
- promotional procedures,
- mandatory sick leave allocations,
- layoff plans and the actual layoff process,
- administrative procedures,
- etc.

The Department of Personnel’s jurisdiction provides certain benefits. Compliance with NJDOP rules and regulations often renders municipalities to be presumptively compliant with higher laws. For example, NJDOP provides guidelines for compliance with the Federal Family and Medical Leave Act (FMLA), the New Jersey Family Leave Act (FLA), among other regulations. In addition, its policies provide a certain presumption of compliance so long as the administration of the policies is consistent with NJDOP.

Removing Civil Service

Once a municipality is under the jurisdiction of NJDOP, it is not possible to withdraw. Many municipal administrators, municipal managers and personnel directors have sought ways to get around the requirements of the Civil Service System. Several municipalities have actively sought to remove themselves from the jurisdiction of NJDOP. In the 1990’s during the Whitman Administration there were serious attempts by the Governor’s office to eliminate the department and its jurisdiction over municipalities in order to remove bureaucratic entanglements and to permit municipalities to operate more efficiently. With the numerous state laws and regulations, unionization and other protections of employees, it was believed that Civil Service had outlived its usefulness.

However, those attempts failed as unions around the state mobilized and effectively thwarted these most recent reform attempts. These attempts at reforming Civil Service eventually ended in a few pilot tests of changes to certain rules. For example, with special permission granted to several pilot municipalities, the “Rule of 10” replaced the “Rule of 3” for hiring from certified lists of eligible candidates. This meant that a municipal appointing authority could appoint one of the first 10 candidates on a list rather than the ubiquitous rule requiring appointment from the first three on the list.

Why do municipalities lobby to remove Civil Service?

All municipalities that passed referenda on the question early in the last century must still attempt to operate under what many elected and appointed officials consider onerous and irrelevant regulations. Some examples of why these elected and appointed officials object to being under Civil Service include:

- Competitive tests offered by NJDOP often have little or nothing to do with the skills needed to perform the job.
- An employee, performing well in a position for many years, remains classified as a provisional employee pending examination. When an examination was eventually called, the employee did well in the examination. However, someone with bona fide veteran’s or disabled veteran’s status was placed first in the exam because they passed the test. The long-standing, well-performing employee was released from the position. An inexperienced disabled veteran or veteran must be offered the position, so long as the person can perform the core functions of the position. Not only did the municipality lose a qualified and well-performing employee, the municipality also incurred the cost of unemployment insurance payments.
- The Civil Service Statute requires all municipal employees receive 15 sick days per year and that the days accumulate without limit. They are prevented from reducing the number of days to 6, 10 or 12 as many other non-Civil Service municipalities have done to control sick leave abuse and/or to reduce personnel costs. Municipalities under the jurisdiction of NJDOP cannot do this.

Selective comparison of how personnel systems differ

In this table, we have selected a few typical personnel issues and have attempted to outline briefly how they would be handled in a Title 11 jurisdiction, a jurisdiction with its own well-developed personnel policies and procedures, and in a jurisdiction that runs by the seat of its pants — sometimes with political influence in its personnel actions.

Function	Title 11A	Good practice	Poor practice
Establish job & title	Choose among a list of available titles from a list provided by NJDOP	Determine what is needed, set title for job, write job description	Create new job title
Set salary	In any manner that the municipality chooses	Analyze job duties and set a salary comparable with others in the municipality.	As low as possible. Or, depending on who is being appointed, as high as possible.

Function	Title 11A	Good practice	Poor practice
Recruit	Either chose from the certified list or openly recruit. However, appointee may not satisfy NJDOP and loose job to one from the certified list of eligibles	Follow established process for advertising, including anti-discrimination practices	Call someone's out-of-work brother-in-law
Select & appoint	See above. Subject to Rule of 3 and disabled veterans and veterans preferences. Also subject to appeal to Merit System Board and OAL Judge review	Based on job description, determine most important knowledge, skills, and abilities; to extent feasible, use standard tests; if no tests, develop consistent, job-specific interview process; determine best candidate; do background check; offer job pending medical or other checks	Hire someone's out-of-work brother-in-law
Probation	3 months for non-competitive and permanent appointments; 12 months for police officers	Frequent performance reviews during six-month initial employment period.	Few employees fail to get "permanent" status.
Performance review	Permitted	Annual for ALL employees.	Probably occur only when it's time to get rid of someone.
Promotion	Competitive under NJDOP regulations and procedures	Competitive; similar to initial selection	Based on seniority or favoritism.
Transfer	Based on employee certifications and demotional rights	Based on employer's needs	Varies
Disciplinary action	Minor discipline of a suspension of less than 5 days, no external appeal; Major discipline has right of appeal to OAL and Merit System Board	Progressive discipline according to adopted personnel policies	Seldom occurs until situation has become intolerable; easily challenged in court
Dismissal for cause	Subject to appeal to Merit System Board and OAL	Final step, after ample and progressive notice to employee	Frequently, the first action taken; easily challenged in court
Layoff	About 120 days. Develop and submit a compliant lay off plan to NJDOP and grant demotional rights and reemployment rights	Based on locally developed plan fitting the needs of the employer	Chaotic, perhaps without a plan; easily challenged in court
Recall	Former holder of position has absolute right to position within 24 months of lay off	Preference within two years to those who are qualified	Varies

Function	Title 11A	Good practice	Poor practice
Grievance procedure	As per municipal ordinance or collective bargaining agreement	<p>Non-union: multi-step with timetable; final decision by administrator or elected officials</p> <p>Union: according to labor contract; probably includes arbitration</p>	<p>Non-union: may not even exist</p> <p>Union: according to labor contract; probably includes arbitration</p>
Paid benefits	Locally determined	Locally determined	Locally determined
Leaves	Locally determined except for sick leave which is mandatory 15 days/year	Locally determined	Locally determined

Summary

We hope this review will help the commission determine its recommendation with respect to Title 11A status if you recommend consolidation.

Board of Education Representation

Appendix C

We have sought a legal opinion from the New Jersey Attorney General's office. The first request for advice on this matter was sent to their offices through the Department of Education in mid-September 2008.

Attached is a letter from Melissa T. Dutton, Deputy Attorney General dated 3 February 2009. As you will see below there is a missing piece to the legal opinion for which we have sought clarification. This clarification is provided below.

Below we attempt to analyze the legal opinion to clearly lay out for your consideration the choices that exist for the Commission.

Sussex-Wantage Regional Board of Education

According to the legal opinion, the Consolidation Commission has two alternative choices regarding the Sussex-Wantage Regional Board of Education.

A. First, the Commission may recommend that the existing school district would cease to operate as a regional district and **a single school district would be created in its place upon the consolidation of the municipalities.**

If the consolidation plan provides for a single Type II school district the following would take place:

- The existing Sussex-Wantage Regional Board of Education would cease.
- The members' terms would terminate upon the date of consolidation.
- The Sussex Executive County Superintendent would appoint the members of the Board of Education.
- 3 members would be appointed for 3 years; 3 members would be appointed for 2 years and 3 members would be appointed for 1 year.
- The first elected member would be elected at the annual school board election to be held in the first calendar year after the creation of the new board. Subsequently, the member would be elected in the same manner as a single Type II school district.

B. Second, the Commission may recommend that the existing Sussex-Wantage Regional Board of Education would remain in tact. The legal opinion does not address how this could operate under a consolidated municipality. We went back to the Attorney General's office for a clarification. Based upon the response I received from the Division of Local Government Services, this alternative would operate in the following alternative fashions:

- Commission recommends no change in the school district and leaves it intact as the Sussex-Wantage Regional School District – Under this alternative, it become really an anomaly district with artificial election and taxing borders, tax apportionment and separate elections with separate slates of candidates as presently exists.
 - The current municipal borders become the boundary lines for school election districts #1 and #2. Each district would correspond to each of the current municipalities and representation would continue on a proportional basis.
 - Separate taxes are levied as they are now in each municipality however now they would be school taxing districts #1 and #2.
- In effect there is no change to the Regional School District.

High Point Regional Board of Education

Currently, Wantage and Sussex are constituent municipalities of the High Point Regional High School District. The High Point Regional Board of Education's membership is currently apportioned according to footnote #3 with 4 members representing Wantage and 1 member representing Sussex with the other four members representing Frankford, Branchville and Lafayette.

The legal opinion states that the provision of NJSA 40:43-66.72(c) is clear and unambiguous. The opinion concludes: "Thus, it follows that the newly created school district would continue as a single constituent member of the HP Regional Board of Education."

As a consequence of the consolidation of membership into a single constituent member, footnote #7 reads: "The municipal consolidation will likely require reapportionment . . . , or at a minimum, the Executive County Superintendent should investigate whether the municipal consolidation would affect the current apportionment of the HP Regional BOE." However, it would seem that if relative populations have not changed, the consolidated municipality would have and retain their five (5) seats on the High Point Regional Board of Education.

Intervening Variable

The current charge to Executive County Superintendents throughout the State of New Jersey is to merge all K-8 systems into K-12 school systems by the end of 2010. In the event this directive is enforced and implemented, the Sussex-Wantage Regional District will be merged into the High Point High School Regional District to form the equivalent of a High Point Regional School District and Board of Education. Representation for the consolidated municipality on the Board will probably mirror the current apportionment of representation on the current Board of Education, five (5) of nine (9) members.

Conclusions

The Commission must decide if the Sussex-Wantage Regional School District is to be consolidated into a single school district. If this is part of the consolidation recommendation, should one be made, then the effects described above take place.

If the recommendation is to retain the Regional School District, then it continues with no change.

In either event, representation on the High Point Regional High School District becomes consolidated as set forth above, should the consolidation be recommended and passed by the voters.

Finally, the State of New Jersey through the Executive County Superintendent of Schools could merge the current Sussex-Wantage Regional School District into the High Point Regional system to create a complete K-12 school system.



Appendix C2

JON S. CORZINE
Governor

State of New Jersey
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February 3, 2009

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Re: 09-0016 Effect of the Consolidation of the Borough
of Sussex and the Township of Wantage on the
Existing Board(s) of Education

Dear Gentlemen:

You have asked for advice on the policies and procedures that the Joint Municipal Consolidation Study Commission should consider while determining whether to recommend the consolidation of the Borough of Sussex ("Sussex") and the Township of Wantage ("Wantage"). Specifically, you have asked:

1. What should be described for the public regarding the impact of the consolidation on status of the existing school board?
2. How will representation on the board of education be affected?



3. What will the impact [be] on the corporate entity, the current Sussex-Wantage Regional School District, on the date of consolidation, and thereafter?
4. Any other information considered germane to the subject.

You are advised that the consolidation of the municipalities of Sussex and Wantage will affect the current Board of Education of the Sussex-Wantage Regional School District and the Board of Education of the High Point Regional School District in the ways that follow.

Background

Currently, the municipalities of Sussex and Wantage comprise the Type II, limited purpose Sussex-Wantage Regional School District ("S-W Regional"). The regional district includes one k-2 school, the Clifton E. Lawrence Elementary School; one 3-5 school, the Wantage Elementary School; and one 6-8 school, the Sussex Middle School. The S-W Regional Board of Education ("S-W BOE") is deemed a "body corporate" under N.J.S.A. 18A:13-6, and is comprised of nine members, apportioned pursuant to N.J.S.A. 18A:13-8.¹ Pursuant to N.J.S.A. 18A:13-10, the Board members are currently elected for a term of three years.²

Additionally, Sussex and Wantage are constituent municipalities of the Type II, limited purpose High Point Regional High School District ("HP Regional"). HP Regional is comprised of five constituent school districts: Sussex, Wantage, Branchville, Frankford Township, and Lafayette. See <<<http://www.hpregional.org/hpindexv4res1000.htm>>> (last visited January 16, 2009.) HP Regional contains only one 9-12 school, the High Point Regional High School. Ibid. The HP Regional Board of Education ("HP BOE") is similarly deemed a "body corporate" under

¹Membership is currently apportioned as 7 members representing Wantage and 2 members representing Sussex. See <<http://www.swregional.org/board_members.cfm>> (last visited January 16, 2009.)

²Upon the creation of any regional school district, the members of the board of education are appointed by the county superintendent with initial elective terms pursuant to N.J.S.A. 18A:13-38.

N.J.S.A. 18A:13-6, and is comprised of nine members apportioned pursuant to N.J.S.A. 18A:13-8 and elected for a term of three years.³ N.J.S.A. 18A:13-10.

Legal Analysis

With this current district composition in mind, we look to the procedures for municipal consolidation and their effect on the current structure of both S-W BOE and the HP BOE.

Prior to 2007, municipalities interested in consolidating were subject to the provisions set forth in the Municipal Consolidation Act ("MCA"), N.J.S.A. 40:43-66.35, et seq. However, in an attempt to encourage municipalities to increase efficiency through municipal consolidation, the Legislature enacted the Uniform Shared Services and Consolidation Act ("USSCA"), N.J.S.A. 40A:65-1, et seq., effective April 3, 2007. See L.2007, c.63, §1. Both Acts must now be read in conjunction with one another.

Under the USSCA, and in lieu of the procedures set forth in the MCA, the governing bodies from two or more contiguous municipalities may apply to the Board⁴ for either:

- (a) approval of a plan to consolidate their municipalities; or
- (b) creation of a Municipal Consolidation Commission, as described in section c. of this section.
[N.J.S.A. 40A:65-25(b)(1).]

Any application to create a Municipal Consolidation Commission ("Commission") must propose a process to study the feasibility of consolidating the participating municipalities. N.J.S.A. 40A:65-

³Membership is currently apportioned as 4 members representing Wantage, 2 members representing Frankfurt, one member representing Sussex, one member representing Branchville, and one member representing Lafayette. See <<http://www.hpregional.org/hp_info/distadmin/BOEadmin.htm>> (last visited January 16, 2009.)

⁴"Board" is defined in N.J.S.A. 40A:65-3 as the Local Finance Board in the Division of Local Government Services in the Department of Community Affairs.

25(c).⁵ As part of this feasibility study, the Commission must prepare a report setting forth its findings and recommendations.⁶ Ibid. In the event that the Commission recommends consolidation, the report of the Commission must set forth, among other things:

the manner of school district consolidation, if any; the type of school district or districts to be operated by or in the consolidated municipality; and, the number of school board members of the recommended school district or districts as shall be necessary. [N.J.S.A. 40A:65-26(a) and N.J.S.A. 40:43-66.50(h).]

A. Effects on S-W Regional

In order to determine how the consolidation of Sussex and Wantage would affect the current school districts, we look to N.J.S.A. 40:43-66.72, which governs the effects on school districts in the event of consolidation. Under that provision, if the final plan for consolidation approved by the voters of the participating municipalities so provides, the school districts of the consolidated municipalities shall be considered a single school district from the date of the municipal consolidation. N.J.S.A. 40:43-66.72.

Here, neither Sussex nor Wantage operates its own school district nor maintains its own board of education. Instead, the two municipalities joined together to create S-W Regional. Thus, the plain language of N.J.S.A. 40:43-66.72 does not specifically address the situation presented.

In construing any statute, a court's "overriding goal must be to determine the Legislature's intent." Hubbard v. Reed, 168 N.J. 387, 392 (2001) (quoting State Dep't of Law & Pub. Safety

⁵Because at this stage, a Municipal Consolidation Commission already exists to study the feasibility of Sussex and Wantage, this memo will not address the procedure for creating such a Commission.

⁶ N.J.S.A. 40A:65-26(b)(3) allows the report or proposed plan to include variations from existing State law with the approval of the appropriate State agency. We need not explicate the full reach of this provision at this time.

v. Gonzalez, 142 N.J. 618, 627 (1995)). Consequently, "statutes are to be read sensibly rather than literally[.]" Schierstead v. City of Brigantine, 29 N.J. 220, 230 (1959). "[T]o that end, 'words used may be expanded or limited according to the manifest reason and obvious purpose of the law.'" New Capitol Bar & Grill Corp. v. Div. of Employment Sec., 25 N.J. 155, 160 (1957) (quoting Alexander v. New Jersey Power & Light Co., 21 N.J. 373, 378 (1956)). "In fact, in order to effectuate the obvious legislative intent, a court may read a provision into a statute that the Legislature inadvertently omitted. See GNOC v. Dir., Div. of Taxation, 167 N.J. 62, 65-66 (2001).

We look then to the intent of the statute to determine how the Act applies here. The Legislature declared that it is in the "public interest to encourage contiguous municipalities to consider consolidation as a means of insuring more rational control of growth and development, more efficient provision of local services and more effective public administration." L.1977, c.435, §2, eff. March 1, 1978. The MCA further provides that:

The Legislature further declares that, since political and administrative consolidation of separate municipalities is an act of high public importance to which are attached many unforeseen difficulties and obstacles, the successful completion of a plan of consolidation, once approved by a vote of the residents of the municipalities involved, shall constitute a public purpose of this State; and, therefore, that the grant of powers under this act is intended to be as broad as is consistent with the Constitution of New Jersey and with general law relating to local government, and shall be construed as liberally as possible in regard to the consolidated municipality's right to organize its own form of government, to organize its structure and to alter or abolish previously existing municipal agencies, subject to the general mandate of performing services and to the provisions of the plan of consolidation approved by the voters.

[Ibid.]

The Act was designed to address the consequences for school districts of municipal consolidation. In keeping with the

above purpose and intent of the statute, the existing school district would cease to operate as a regional district and a single school district would be created in its place upon the consolidation of the municipalities, if so provided in the plan for consolidation. That newly created single school district would remain a Type II district pursuant to N.J.S.A. 40:43-66.72(a).

If the plan does not provide that the "school districts of the consolidated municipalities shall be a single school district", the S-W Regional would stay intact.

B. Effects on HP Regional

With regard to Sussex and Wantage's membership in HP Regional, we look to N.J.S.A. 40:43-66.72(c), which states:

If all the participating municipalities are members of the same regional school district, the consolidated municipality shall continue as a member of such regional school district; provided, however, that the consolidation commission may recommend that the governing body of the consolidated municipality shall, by resolution, apply forthwith to the county superintendent of schools to make an investigation as to the advisability of constituting the consolidated municipality as a single school district.

Because the language contained in provision (c) of N.J.S.A. 40:43-66.72, is clear and unambiguous, we need only apply its terms to the instant circumstances. See Sasco 1997 NI, LLC v. Zudkewich, 166 N.J. 579, 586 (2001) (holding that "[i]f the language is plain and clearly reveals the meaning of the statute, the court's sole function is to enforce that statute in accordance with those terms," quoting State Dep't of Law & Pub. Safety v. Bingham, 119 N.J. 646, 651 (1990)). Thus, it follows that the newly created school district would continue as a single constituent member of HP Regional.⁷ However, the plan of

⁷The municipal consolidation will likely require reapportionment under N.J.S.A. 18A:13-9, or at a minimum, the Executive County Superintendent should investigate whether the municipal consolidation would affect the current apportionment of the HP Regional BOE.

consolidation could include a requirement that the new governing body, subject to resolution, apply to the Sussex Executive County Superintendent to investigate the advisability of the new district withdrawing from HP Regional and operating its own single school district.

C. Effects on S-W BOE

With regard to the membership of the existing and newly-created boards of education of the consolidated municipalities, N.J.S.A. 40:43-66.74(b) states that upon consolidation of the municipalities:

[t]he members of the first board of a type II school district shall be appointed by the county superintendent of schools, in accordance with the provisions of N.J.S. 18A:13-38, and shall take office on the date of consolidation. The first elected members of the board shall be elected in the manner set forth in N.J.S. 18A:13-39. All subsequent elected members shall be elected in the manner prescribed in subarticle 4B of chapter 12 of Title 18A of the New Jersey Statutes.

As such, if the consolidation plan provides for a single school district, the existing S-W BOE would cease and the members' terms would terminate upon the date of consolidation. Ibid. Thereafter, members of the board of the newly created school district would be appointed by the Sussex Executive County Superintendent pursuant to N.J.S.A. 18A:13-38(1).⁸ N.J.S.A. 18A:13-38(1) states that three members will have a term of three years, three members will have a term of two years, and three members will have a term of one year. The first elected members thereafter are to be elected at the annual school board election to be held in the first calendar year after the creation of the new board of education. N.J.S.A. 18A:13-39. After that, the members would be elected in the same manner as a single Type II school district pursuant to N.J.S.A. 18A:12-11.

In that event, upon the date of consolidation of the municipalities of Sussex and Wantage and the newly created single

⁸Subpart (1) applies here because under N.J.S.A. 18A:13-8, the only possible "constituent" districts would be Sussex and Wantage and, therefore, the board would consist of nine members.

February 3, 2009

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school district, S-W BOE would cease as a corporate entity; and, the newly created single district of the consolidated municipalities would become a "body corporate" pursuant to N.J.S.A. 18A:10-1.

D. Effects on HP BOE

With regard to the effect on the HP BOE, N.J.S.A. 40:43-66.74(c) states:

When any of the participating municipalities is a member of a regional school district, the respective board of education or each of the boards of education in the participating municipalities shall retain their territory and jurisdiction, and the members of such board or boards of education shall continue in office after consolidation until the completion of their terms of office. All subsequent members shall be elected or appointed as provided by law.

As such the members of the HP Regional BOE who currently represent Sussex and Wantage would continue their terms until their completion. Thereafter, all subsequent members would be elected pursuant to N.J.S.A. 18A:13-8 and -10.

Sincerely yours,

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY

By: Melissa T. Dutton
Melissa T. Dutton
Deputy Attorney General

Appendix D

FISCAL ASPECTS OF CONSOLIDATING SUSSEX BOROUGH AND WANTAGE TOWNSHIP

*A Report to the
Joint Municipal Consolidation Study
Commission
of Sussex Borough and Wantage Township*

*Pursuant to N.J.S.A. 40:43-66.35 et seq. and
N.J.S.A. 40A:65-25 et seq.*

*November 2008
Revised February 2009*

STATE OF NEW JERSEY
JON S. CORZINE, Governor

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JON S. CORZINE
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JOSEPH V. DORIA,
JR.COMMISSIONER

November 2008

Joint Municipal Consolidation Study Commission
of Sussex Borough and Wantage Township

Dear Commissioners:

I am very pleased to submit to you the accompanying objective study of the fiscal aspects of the proposed consolidation of Sussex Borough and Wantage Township, in fulfillment of the Department's obligation under the Municipal Consolidation Act and Local Option Municipal.

Throughout the course of this study, our staff has had full cooperation of Borough and Township officials as well as other individuals who assisted with the information in this report. Being able to tap the knowledge and candor of these seasoned people has been most helpful.

Let me extend to you my best wishes as your deliberations lead you toward thoughtful conclusions on behalf of the people of your respective communities.

Sincerely,

A handwritten signature in cursive script that reads "Joseph V. Doria, Jr.".

Joseph V. Doria, Jr. Commissioner

Acknowledgements

There was a dedicated team of volunteers and professionals who contributed to the development of this report. None gave more generously of their time than Earl Snook, Chairman of the Commission. Earl's know-how, guidance, and hands-on approach were invaluable. Vice Chair Sal Lagattuta's first-hand knowledge of public education and willingness to assist were important assets. The professionals of both communities made major contributions. These individuals include: Cathy Gleason, Borough Clerk, whose follow-through and input were most helpful, the CFOs Sam Grant and Michelle LaStarza, whose expertise and insights were most valued, and Jim Doherty, Administrator/Clerk, whose impeccable attention to detail and tireless efforts were deeply appreciated.

Thanks to the education leaders for their insights concerning school-related issues. Valuable information was provided by Frank Dragotta, interim County Superintendent of Schools, and Neil Cramer, County School Business Administrator; Superintendent Dr. Edward Izbicki and Business Administrator Christine Riker of Sussex-Wantage Regional; and especially Highpoint Regional High School Business Administrator Steven A. Kepnes who was most generous in giving of his time and expertise. In addition, Keith Armstrong, Sussex County Shared Services Coordinator, made significant contributions early in the process and assisted in the securing of funding for the study.

Final recognition should be given to the dedicated Commissioners whose insights were most helpful.

Revision Statement – February 2009

As a result of public comments and Consolidation Commission questions following the release of the initial report in November 2009, the Department has reviewed the report and has made a series of material and non-material updates and corrections. The Department appreciates the comments that were submitted and regrets any misunderstandings that may have resulted from them. The following corrections that reflect changes were made:

- Changes were made to reflect the final Sussex Borough budget, rather than the introduced version that was initially used. In order to reflect a consistent year-to-year comparison, Sussex budget calculations do not include the receipt of a one-time \$600,000 Small Cities grant.
 - Changes were made to the school tax component of the residential tax calculations chart on Page 15 to reflect use of the calendar year school tax calculation, replacing the original use of the fiscal year tax levy.
 - A number of non-material copy-editing and typographical errors have been corrected, including clarifying assessed vs. equalized values in overall debt calculations
 - Several tables have been updated to correct non-material amounts.
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I. Introduction

The Department of Community Affairs submits this report to the Joint Municipal Consolidation Study Commission of Sussex Borough and Wantage Township. The report's conclusions and findings serve as the required "objective study of the fiscal aspects of the proposed consolidation." This report is also the first Fiscal Aspects of Consolidation Report since the enactment of the "Local Option Municipal Consolidation Act." The Act provides local officials a range of options and flexibility in considering consolidation. The Act also makes provisions for State Aid to offset increases in property taxes that impact owners of residential property or residential tenants due to consolidation of the two communities.

The governing bodies of each community are to be commended for their willingness to serve as pathfinders in this first Joint Municipal Consolidation Study since the passage of the "Local Option Municipal Consolidation Act".

In context of this report "proposed consolidation" or "consolidation" should be understood as a statutory phrase meant to indicate activity, rather than to prejudice Commission deliberations or decisions one way or the other. It is important to note that the report rounds most amounts to provide consistency and convenience. The capitalized "Borough" and/or "Township" is used when referring to Sussex Borough and Wantage Township, respectively, the corporate entities prior to consolidation. "Consolidated Municipality" is used to refer to the post-consolidation municipality.

An in-depth assessment of current costs and efficiencies of municipal services or what efficiencies can be achieved if the municipalities are consolidated is beyond the scope of this report. The report recognizes that a consolidated governing body will have opportunities to make decisions to reduce costs and/or improve municipal services; the specific details of which cannot be predicted at this time. There are financial issues which must be carefully examined such as the effect consolidation would have on taxes, relative debt, and the cost of services. It is important to note that the potential of "thinking as one" is a critical notion and that consolidation makes new choices available; ones not available for consideration in each municipality as a separate entity. The Commission, however, may choose to address this issue in its report to the citizens of the communities.

With regard to the impact of municipal consolidation on public schools, Sussex and Wantage share a regional K-8 district and both are members of High Point Regional High School. Therefore there is no need for the consolidation of regional schools because they are already in place. There are concerns about the potential effect on state school aid and the impact on school taxes which will be addressed.

The report is in seven sections:

1. **Summary of Findings** – a broad overview of findings that summarize the detail of the report.

2. **Fiscal Considerations of Consolidation** – a review of financial and non-financial issues; the responsibilities of a new governing body and other concepts related to an understanding of the fiscal implications of a proposed consolidation.
3. **Impact of Municipal Services Delivery** – an overview of the issues relating to delivery of municipal services and the impact on costs.
4. **Impact on Tax Rate and Levy** – analysis of the impact that consolidation would have on the municipal portion of the tax levy and associated tax rate. Discussion of the state subsidy for the municipality experiencing an increase in the net tax levy.
5. **Debt, Debt Service, and Capital Planning** – analysis of the implications of existing and planned debt obligations, infrastructure improvements and capital facilities.
6. **Observations** – analysis of issues that were raised by Commissioners concerning Small Cities Community Development Block Grant Program and State Aid. In addition, the section discusses the existing Wantage Open Space Trust Fund in a consolidated community.
7. **Appendix** – calculation of “consolidated” tax rates, calculation of regional school taxes, and a summary of 2008 fiscal statistics of each municipality as separate entities and as if they were a single municipality.

II. Summary of Findings

A governing body of a newly consolidated Sussex Borough and Wantage Township will have the opportunity to reduce municipal operating expenses, lower operating and maintenance costs, reduce employee counts, and experience proportionately lower benefit costs by restructuring municipal services.

With regard to the municipal portion of the tax levy, by itself, with most everything else remaining equal, consolidation would result in significant savings for taxpayers in Sussex Borough and a modest increase for the average residential taxpayer in Wantage Township who would receive a credit by the State on their property tax bill equal to the increase thereby off-setting the increase for taxpayers in Wantage Township.

Existing general obligation debt of the municipalities should be consolidated, not segregated, as part of any overall plan of consolidation.

Advantages of consolidating would have a positive impact on the existing capital improvement programs providing for new alternatives and potential savings to the consolidated community.

Both municipalities share the Sussex-Wantage Regional K-8 school district, and are members of the High Point Regional High School. There will be no impact on either of the regional school budgets and no loss of State Aid.

III. Fiscal Considerations of Consolidation

This section reviews considerations that affect the fiscal impact of the proposed consolidation.

A. Consolidation and tax cutting

Consolidation will provide the successor governing body with a number of opportunities to reduce municipal spending.

“Thinking as one” provides the opportunity to reevaluate and restructure municipal service delivery, capital facility needs, infrastructure planning, and equipment needs. The existing number of Sussex/Wantage shared services is impressive and will be useful models for the consolidation of other services including administration, public works, etc. It is important to note that due to the highly successful efforts in the past by these two forward-thinking communities there will be fewer opportunities for cost savings in a consolidated municipality. “Thinking as one” permits new policy choices in light of the needs of a single municipality, without the artificial constraints of arbitrary boundary lines, duplicate facilities, and redundant personnel.

Further, in addition to both short-term and long-term savings that will accrue from lower operating costs and efficiency improvements, consolidation will provide the opportunities, outlined in the consolidation statute law, of “more rational control of growth and development, more efficient provision of local services, and more efficient public administration.” The final report of Joint Municipal Consolidation Study Commission may include a financial analysis concerning these issues.

B. Responsibility of the new governing body

The success of consolidation rests primarily on the new governing body

The responsibility for realizing cost reduction and by extension, property tax savings and all other potential benefits of consolidation rests with the new governing body. The success of consolidation relies on their efforts to meet the challenges and make the decisions that would make the benefits suggested by consolidation a reality. The commissioners will make recommendations in the consolidation study which will serve as a guide for the two respective governing bodies of Sussex and Wantage and the new governing body if consolidation is ultimately approved.

C. "Future performance cannot be based on past results"

Analysis of the prior fiscal performance of the two municipalities as individual units cannot lead to conclusions about the fiscal performance of a consolidated Sussex Borough-Wantage Township.

Past decisions made by the governing bodies of the two governments have been made in the context of single entities acting independently in the climate of the times. Thus, historical study of tax or budget trends adds little to the prediction of future finances of a consolidated entity and is not part of this study. However, Appendix A is a table providing baseline data for a ten year period from 1998 through 2008 of Sussex and Wantage tax rates, ratio, net valuation taxable and county equalization valuation. Extrapolating from the aforementioned data, some critical observations can be drawn. The impact of these will be discussed and analyzed in this report. Sussex Borough's equalized tax rate was \$2.64 in 1998 as compared to \$2.14 in 2008, while its equalized value went from \$71+ million to \$152+ million, an increase of 114%. Wantage's equalized tax rate was \$2.51 in 1998 as compared to \$1.94 in 2008. Its equalized valuation increased 145% over the same period.

D. Impact on existing shared services and cooperation

The traditional formula for cost sharing becomes obsolete upon consolidation, giving way to a single tax base.

The agreements used to determine the cost of shared service i.e. construction department, court system, assessor's office and animal control service would become irrelevant, as these services would be provided by the new municipality. With Sussex Borough and Wantage Township united, cost and expenditure policies exercised by the two partners would become the responsibility of the single, unified government. It would allow more unified decision-making and administration that falls upon the consolidated government when it takes office. It enhances decision-making, taking into account the entire municipality instead of two governing bodies considering different prerogatives and then negotiating a cost for each individual entity.

E. Tax Revaluation and Equalization

It is important to understand what equalization means. Consolidation requires that tax calculations are on an equalized basis, where all properties are brought to 100 percent of true value prior to allocating tax levies. Sussex Borough and Wantage Township have a different ratio of assessed property value to market (or true) value. Like the process of allocating Sussex-Wantage Regional School taxes between the two municipalities in order to project

what taxes would be under consolidation, it is necessary to equalize the values. Simply adding the assessed values together and then allocating the tax levies produces an inaccurate result.

A section of the Local Option Municipal Consolidation Act (N.J.S.A 40A:65-28) addresses the issue of equalization of property assessment for apportionment of taxes. If a revaluation of property for the consolidated municipalities of Sussex and Wantage is not implemented for the first local budget year of the consolidated municipality, then the assessment of the properties of the former municipalities shall be equalized for the apportionment of taxes for the consolidated municipality.

The equalization ratio computed by the Sussex County Board of Taxation is used for this purpose, as is done for the allocation of the regional schools' tax levies. The spread sheet in Appendix B Consolidated Municipal Tax Rate calculation includes the raw numbers and calculations used to determine the "consolidated" tax rates and "prior" (pre-consolidation) tax rates. In 2008 Sussex's ratio was 52.47 percent and Wantage was 102.23 percent. Wantage Township values are more current because a revaluation was performed several years ago. Sussex Borough's last revaluation was implemented in 1999.

When Sussex/Wantage values are equalized, the ratio of value between the two municipalities is approximately 9:1, with Wantage holding more than nine-tenths of the value, Sussex less than one-tenth. This relationship means the Wantage "brings" more assets to a potential "partnership" than Sussex, while former Sussex taxpayers will take advantage of those assets through lower taxes.

F. State Aid Impact on Municipal Operations

In general, and under current municipal state aid policies, consolidation will not affect the total amount of allocation of formula-based State aid currently received by the two municipalities. There will be no loss in any aid such as Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts due to consolidation. In addition, the Clean Communities Program and State Recycling Tonnage grants are based on the tonnage recycled by the municipality. The Municipal Alliance on Alcoholism and Drug Abuse funded by Sussex County would not be affected.

Due to current differences in valuation and demographics, some aid programs which consider these parameters and are driven by them, may not be available or the new town may not receive as high a ranking as either former municipality because of the new profile. Wantage Township's income is higher and therefore the consolidation of both municipalities would result in a different income bracket for the new unified municipality. Thus, if consolidated, the new municipality would not likely be eligible for a new State aid program that targeted less affluent municipalities.

Alternatively, there is potential for some additional aid if the State continues to fund programs that encourage municipalities to provide consolidated or regional services.

Changes which may occur in the future will be due to overall policy changes at the State level.

If the municipalities do consolidate, current State law provides additional resources to assist with the process¹. The “Sharing Available Resources Efficiently (SHARE) program (N.J.S.A. 40A:65-30) specifically authorizes funding for one time start-up costs (Implementation grants) of a municipal consolidation. The Division of Local Government Services has great latitude in setting amounts for these grants.

In addition, the current State budget includes a “Consolidation Fund” which is intended to provide assistance to municipalities and boards of education that undertake consolidation, with the express intention of providing funding to overcome obstacles to consolidation. As the Commission continues its work, the Department will discuss funding under these programs. The outcome of those discussions will be reflected in the Commission’s final report.

G. Impact on Public Education Activities

There will be no impact on public education activities as both school districts that serve the municipalities of Sussex and Wantage, are regional school districts. There will be no impact on members of school boards of education pursuant to N.J.S.A. 40:43-66.74. This law provides that when any of the participating municipalities is a member of a regional school district, the respective board of education or each of the boards of education in the participating municipalities shall retain their territory and jurisdiction, and the members of such board or boards of education shall continue in office after consolidation until the completion of their terms of office. All subsequent members shall be elected or appointed as provided by law.

(Section continued on next page)

¹ N.J.S.A 40:43-66.76 in the “old” Municipal Consolidation Act provides a formula for funding the “Interlocal Services Aid Act.” This program has not been funded for many years and the SHARE and Consolidation Fund programs discussed in the text have superceded its purpose.

H. If Consolidation Does Not Take Place

While Wantage Township has significant potential for ratable growth to offset increases in service costs, Sussex Borough is limited because it is nearly fully developed.

Sussex Borough Fiscal Indicators

	1998 (\$)	2008 (\$)	Percentage Change (%)	Average Annual Change (%)
<i>Budgeted Appropriations</i>	1,249,508	1,818,167	45.5	3.7
Adjusted Appropriations*	1,249,508	1,218,167	(2.5)	(0.3)
Municipal Tax Levy	273,293	600,454	119.7	8.2
Taxable Value[^]	71,368,045	152,335,911	113.4	7.9

* To provide an accurate year-to-year comparison the budgeted appropriation has been adjusted to exclude the one time \$600,000 Small Cities grant received by Sussex Borough in 2008.

Wantage Township Fiscal Indicators

	1998 (\$)	2008 (\$)	Percentage Change (%)	Average Annual Change (%)
Appropriations	4,578,463	6,324,460	38.1	3.3
Municipal Tax Levy	1,625,090	2,752,555	69.4	5.4
Taxable Value[^]	580,371,620	1,421,853,168	145.0	9.4

[^] 1998 & 2008 Abstract of Ratables County of Sussex

While trends of the last ten years are not necessarily predictive of the future, they clearly demonstrate the frugality of both municipalities during this period, as indicated in the Sussex-Wantage Fiscal Indicators Table. Inflation over the past 10 years was significant in both costs of delivery of services and its impact on property values. As earlier noted, see

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Appendix A “Tax Rate, Ratio and County Equalization Valuation 1998 through 2008 for Sussex and Wantage” to review growth in tax rate and assessed value for both communities.

Sussex’s growth in taxable value was approximately equal to the increases in the municipal tax levy. Sussex Borough’s equalized tax rates were \$2.64 in 1998 and \$2.14 in 2008. While its equalized value increased from \$71+ million to \$152+ million a very substantial gain of 113.4 percent. Given the lack of developable land in Sussex, without some modification in its zoning to accommodate additional development, the future growth potential of Sussex is limited.

Sussex Borough did an outstanding job in keeping the appropriation side of the budget from 1998 to 2008 at approximately the same level, despite inflationary pressures. Sussex’s 2008 adjusted budget of \$1,218,167 (this amount excludes the \$600,000 State Small Cities grant)² is \$12,641 less than the 1998 Sussex budget. However, the municipal tax levy increased from \$273,293 to \$600,454 or 119.7 percent over the ten-year period, which is an average annual increase of 8.2 percent. The \$49,016 reduction in State Aid to Sussex Borough in 2008 contributed to this increase in municipal taxes.

Wantage Township’s equalized tax rate in 1998 was \$2.51 as compared to \$1.94 in 2008. Its equalized valuation increased tremendously during this ten-year period at 145 percent. Sussex Borough’s equalized valuation during this ten-year period increased by 113.4 percent. Both amounts were significantly higher than the inflation rate during this period.

The growth rate in taxable value in Wantage greatly exceeded the rate of increase in municipal appropriations and increases in the municipal tax levy. Wantage Township’s budget over the same ten-year period increased 38 percent or a modest 3.3 percent per year. This is an enviable achievement when considering pension, utility, and health costs, all of which have gone up tremendously in the last decade, along with a \$56,678 State Aid decrease in 2008.

Some consideration must be given to potential pressure that will face the governing bodies and taxpayers to maintain service levels at reasonable costs as growth diminishes further in Sussex and ultimately flattens in Wantage Township. For the purposes of this report, this issue is unresolved and one that the decision makers must take into account when balancing overall concerns.

² When addressing the Sussex Borough 2008 budget throughout this report, the \$600,000 grant will be excluded from calculations, given its one time nature and its significant skewing of consistent comparisons.

IV. Impact on Municipal Service Delivery

A. Impact on Financing of Municipal Government

Sussex Borough and Wantage Township have established themselves as models in the delivery of shared services. Sussex and Wantage have an impressive array of shared services that have resulted in significant savings of tax dollars for both municipalities. These include, but are not limited to, a shared court system, construction department, animal control service, and the assessor's office. Wantage Township has played a lead role and provides the aforementioned services to Sussex Borough. There is also a comprehensive feasibility study on shared services for the Public Works Department of Sussex Borough and Wantage Township that will be invaluable to the Commissioners and their consultant in the Consolidation Study Commission of the two municipalities.

These efforts highlight the value and merit of "thinking as one." However, consolidating key municipal services, public works, internal administration, is more challenging and would provide the opportunity to leverage the advantages of consolidation. A note of caution is in order; there will not be as many opportunities for cost savings in a consolidated community because of the highly successful efforts in the past by these forward-looking municipalities.

If consolidated, immediate savings opportunities would appear through general economies of scale resulting from a slightly larger, but very manageable operation. Specific examples of these include:

1. Elimination of duplicated overhead that stem from two sets of mayor and council, municipal attorneys, planning boards, board of adjustments, related professionals and other activities where only one will be required and volume is not an issue.
2. Lower maintenance and reduced operating costs of municipal facilities, equipment, and services both immediately and over time as operations are rationalized.
3. Standardized commodity purchases and the combined purchasing volume of the single municipality may result in lower prices for many commodities.
4. Establishment of personnel policies and negotiation of employee labor agreements to synchronize benefits to meet contemporary needs with potential for savings immediately and over time.
5. Enhanced personnel utilization through increased diversity in work assignments, improved training, and promotional opportunities.

Reduction or reassignment of duplicate or overlapping personnel will be another opportunity for the governing body. The two municipalities employ full or part-time combinations of a municipal clerk, administrator, chief financial officer, etc., and the necessary support staff for each. While some of the individuals holding statutory position are currently part-time, restructuring would offer opportunities for cross-training and back-up. A consolidated single municipality with additional resources can provide improved levels of administration and service demands over a smaller one at equal or lower costs.

Because there is not necessarily a one-to-one correlation when combining positions, one plus one may be less than two. There is an opportunity through consolidation to reduce the fixed overhead costs necessary to provide services i.e., tax collection. There is an ability to adroitly manage different staff assignments in a consolidated community, resulting in lower costs and increased productivity.

After a transition period, the opportunity to reduce personnel costs through attrition, retirement, and reduction in force will also provide savings potential through improved efficiency and direct cost reduction. Finally, while there will be some transition costs, few will have to be covered by local revenues as State Aid is available for these purposes, and others costs will be absorbed into the normal ebb and flow of municipal budgeting.

B. Impact on Financing of Public Schools

1. State Aid

On January 13, 2008 Governor Jon Corzine signed into law the School Funding Reform Act of 2008, the new state funding formula for schools. The formula takes into consideration enrollment, age of student and any special conditions required by a student (special education). In the event that two towns consolidate, the newly calculated state aid should be equal to the sum of the individual district assuming the total student population does not change; State aid is based on per pupil amount. There will be no reduction in the number of students attending the regional schools and therefore no impact on state aid. Application of the new revenue formula and calculation of new state aid figures has been received by both regional school districts.

The Sussex County Superintendent of Schools, Mr. Frank Dragotta, after consulting with the Division of Finance of the State Department of Education in a letter dated October 22, 2008 (see Appendix C) advised:

- a. There would appear to be no difference in state aid if the two towns merged because the school district is already consolidated as one.
- b. State aid should remain the same, and the school tax should also be the same.
- c. Board of Education members would serve required terms; they would be filled through the normal process.

2. Sussex-Wantage Regional School District

Consolidation will not impact the operation of the Sussex-Wantage Regional School District. State aid is based on a per pupil amount and with no projected change in the student population, there should be no change in State aid because of the already regionalized schools; consolidation brings no change in school finances.

3. High Point Regional High School

As previously noted, the consolidation of Sussex Borough and Wantage Township will not have any impact upon the operation of the High Point Regional High School District. There should be no change in State aid. The Sussex County Superintendent of Schools advised (Appendix C) there would appear to be no difference in state aid if the two towns merge because the school district is already consolidated as one.

The High Point Regional High School 2008-2009 tax levy calculation is provided with Sussex and Wantage as individual municipalities and then as a consolidated municipality reflecting the amount to be raised by the municipal tax levy for the support of the regional high school (See Appendix D). As noted, because of the already regionalized school, consolidation brings no changes in school finances. The amount to be raised by property taxes for High Point Regional High School for the consolidated municipality is the same as it was for Sussex Borough and Wantage Township as separate communities.

V. Impact on Property Taxes

A. General Analysis

Instinctive to the expectations of a study of fiscal aspects of consolidation is, “What will it cost me after I consolidate?” “Will it save me any money or will it cost me more?” A precise answer is impossible because consolidation costs rely on decisions that will be made by the new governing body of the combined municipality. Further, projecting the impact of consolidation on the budgets of the two communities raises a raft of issues; some of these issues are:

1. If consolidation is recommended, there will be no need for any consolidation of school districts because they are already in place with the Sussex-Wantage Regional and the High Point Regional High School. State aid should remain the same and the school tax should also be the same.
2. At present, the fiscal impact of consolidation of the two municipalities on the two school districts is negligible, because the percentage of Wantage and Sussex students in each district is virtually identical. Because of the difficulty in predicting future student population and assessed values, it is not possible to assess the long range impact of taxes and enrollment if the municipalities remained separate or consolidate.
3. Debt management policies vary by market conditions and local issues.
4. Because of the wide range of possible variations, staffing patterns of a consolidated municipality can be estimated by the Commission in its Report, but cannot be taken into account in a fiscal study.
5. In some cases, municipal capital budgets are at best, carefully prepared; at worst, an un-prioritized wish list of future needs. They are not necessarily reliable for predicting future projects, debt requirements, and taxation because they are subject to change at any time for many reasons and are prepared independently.

These issues emphasize that strict comparison of budgets at any one point in time can be misleading. However, if Sussex Borough and Wantage Township were to consolidate, a broad general projection can be made as to how residential taxpayers would be affected by utilizing the 2008 budgets as a guide. This projection does not consider any changes that could be made in staffing, economies of scale, changes in policy nor the impact of any anomalies from the 2008 budget. The Commission report however, can use the data generated from this Report and its own findings about municipal services to make budgetary recommendations for a consolidated municipality.

Notwithstanding that report, the question to be addressed in this report is, “What would be the impact of a consolidated Sussex Borough-Wantage Township with a combined municipal

tax levy of \$3,353,009 on the taxpayers of both communities?” That amount is the combined Sussex and Wantage municipal tax levies in 2008. To create a frame of reference, the taxes paid on the average assessed value of a home in each municipality are used.

To demonstrate the impact, the following chart displays the taxes on the average residential taxpayer in each municipality. See Appendix B - Consolidated Municipal Tax Rate Calculation for detailed calculations.

Estimated Consolidated Municipal Tax Impact

Municipality	Line Items	Current Average Residential Taxes (\$)	Consolidated Average Residential Taxes (\$)	Change from Current Taxes (\$)
Sussex	461	872	472	(400)
Wantage	3,920	609	671	62*
Weighted Average	4,381	637	650	13

* Subject to State tax credit.

The consolidation of Sussex Borough and Wantage Township would have a significant impact on the municipal tax rate and the amount of taxes paid by Sussex residents. Their municipal taxes would be reduced from \$872 to \$472, a reduction of \$400. The reason for this is Wantage Township’s higher property values. The Wantage taxpayer for the average assessed value home would see their municipal property taxes increase from \$609 to \$671 or \$62. The Wantage homeowner with an average property value would receive a credit of \$62, or whatever is the difference between what they would have paid in property taxes if the community did not consolidate. This will be discussed extensively in the section on the Local Option Municipal Consolidation Act.

Average Assessed Home Value and Average Equalized Value

2008	Sussex Borough (\$)	Wantage Township (\$)
Average Home Value	115,822	320,746
Equalized Home Value	220,739	313,749

Why did this shift in municipal taxes occur? The above chart shows the average assessed home value in Sussex Borough at \$115,822 based on the current assessed ratio to true value of 52.47 percent. Wantage Township’s average assessed home value is \$320,746 based upon the current assessed ratio to true value of 102.23 percent. When the current municipal tax rates are applied to the average residential assessed value, the taxes paid as shown were \$872 in Sussex and \$609 in Wantage. When the communities are consolidated, the equalized home values of \$220,739 in Sussex and \$313,749 in Wantage are used and the consolidated municipal tax rate is applied. The owner of the average home assessed in Sussex would pay \$472 and the average home assessed in Wantage would pay \$671 in the newly consolidated municipality. The shift resulted from Wantage Township having higher assessed value.

The impact that consolidation of Sussex Borough and Wantage Township would have on Sussex-Wantage Regional, High Point Regional, and the Sussex County tax levy is displayed in the following charts:

**Average Residential Tax Calculations:
Current and Consolidated***

Tax	2008 Sussex Borough (\$)	Consolidated (\$)	Difference (\$)
Municipal Tax Levy	872	472	(400)
Sussex-Wantage Reg. Levy	1,928	1,960	32
High Point Reg. H.S Levy	1,078	1,044	(34)
County Tax Levy	852	852	0
Total	4,730	4,328	(402)

Tax	2008 Wantage Township (\$)	Consolidated (\$)	Difference (\$)
Municipal Tax Levy	609	671	62
Sussex-Wantage Reg. Levy	2,790	2,786	(4)
High Point Reg. H.S. Levy	1,475	1,484	9
County Tax Levy	1,197	1,197	0
Total	6,071	6,138	67

* **NOTES:** *Date Source: 2008 Abstract of Ratable County of Sussex – County Equalization Table Average Ratio to True Value of Real Property. The school tax levy calculations were adjusted from the original version of this report to replace a fiscal year levy calculation with the calendar year levy calculation. County tax levy calculation includes County Library, Health and Open Space Taxes*

The tax levy of the three other components is based on the Sussex County Equalization Table and there is minimal change in the tax levy for the average taxpayer in either Sussex or Wantage. There are three charts that show the four components of the tax levy in dollar amounts and percentages for Sussex Borough, Wantage Township, and the consolidated entity. They can be found in Appendix E – Current Tax Levies. In Appendix F, Apportionment of the Property Tax Dollar, the current tax levies are illustrated in a bar graph for informational purposes. In Appendix G, the chart lists the actual and equalized tax rate for Sussex Borough and Wantage Township and the equalized tax rate for the consolidated municipality.

The chart, Appendix H, “2008 Equalized Assessed Valuation and Tax Levy by Purpose Individually and Consolidated for Sussex Borough and Wantage Township”, indicates the amount to be raised by Sussex, Wantage, and consolidated community. The amount to be raised by the 2008 property tax for county, regional schools and municipal purposes totals \$3,254,329 for Sussex and \$27,540,025 for Wantage. The amount to be raised for a consolidated municipality for 2008 is \$30,794,354 that equals the amount to be raised by the individual municipalities. The Wantage residential taxpayers would pay an additional \$67 in municipal taxes whereby the Sussex residential taxpayers would pay \$402 less. Under the State’s property tax assistance program described below, the Wantage residential taxpayers would receive a credit on the tax bill equaling the \$62 increase for municipal taxes and \$5 increase for the school district taxes.

It must be noted that making the above comparison requires, in the least, that the services provided by the municipalities are comparable, and while most municipal services meet the comparability test, there are some exceptions. It also does not reflect any Consolidation Aid that might be available from the State.

B. Local Option Municipal Consolidation Act Aid

This is the first consolidation study under the Local Option Municipal Consolidation Act. The Act includes N.J.S.A. 40A:65-28(b) which provides that owners of any residential property or residential tenant of any municipality consolidated who experience a municipal or school district purpose real property tax increase due to municipal consolidation in the first tax year following the municipal consolidation shall be entitled to annual property tax relief until such time as they sell or transfer their home or no longer reside as tenants in a rental unit they occupied just prior to municipal consolidation.

In the case of the owner of residential property tax bill equal to the difference between the municipal and school districts purposes real property tax payable by the taxpayer for the tax year. Tenants will receive a rent rebate pursuant to the Tenant Property Tax Rebate Program. The State will pay the municipality the amount of the credits quarterly.

While this process is new and has not yet been implemented, if consolidation is approved, some key details surrounding how the credit is calculated are as follows:

Budget Adjustments

1. DCA will review the budgets of each municipality for the year prior to consolidation to adjust the tax levy to reflect any revenues or expenditures that do not reflect routine operations (“normalize”). This procedure is intended to ensure that the budget reflects only normal operations, without consideration related to the consolidation, an unlikely, but possible circumstance.
2. The first year’s budget of the newly consolidated municipality will be similarly reviewed to normalize for non-routine operations.

Calculation of Tax Bills

1. Once consolidated, the assessed value of each parcel will be equalized based on the final equalization ratio for the individual municipalities. In the absence of a revaluation in both municipalities, this will be the assessed value for each parcel.
2. The budget for the first year will be adopted and the municipal tax levy and tax rates will be established for the newly consolidated municipality.
3. A separate analysis will calculate for each residential, farm homestead, and apartment property:
 - i. What taxes would have been in the pre-consolidation year using the normalized tax levy; and,
 - ii. What taxes would be in the first consolidation year using the normalized tax levy; and then,
 - iii. Calculate the difference, and for each parcel whose taxes increased, set that amount as the “consolidation tax credit”. The credit will remain on the property until ownership or tenancy changes.

The State Divisions of Local Government Services and Taxation will work closely with local officials including the chief financial officer, tax collector and tax assessor to develop the administrative and computerized procedures to implement these changes.

These procedures will include tracking when properties change ownership or tenants change. When ownership changes, the seller and real estate professional should advise the buyer of the circumstances concerning the property taxes (the credit will clearly show on the tax bill. Tenants in properties with more than four units will receive a pro-rated rent credit. A reporting system will be established to track tenant changes and to adjust the credit accordingly.

At the local level, the administration of the program will be the responsibility of the tax assessor and the tax collector of the consolidated municipality. These individuals will be trained in the steps to take to reflect the property transactions that will take place and will have to update databases to reflect the change. As the state implements the new PAMS system this process can be automated.

When a property is sold to a buyer, the seller and real estate professional should advise the buyer of the circumstances concerning the property taxes. The tax bill will also reflect that there is a credit; ultimately it is the responsibility of the seller to advise the buyer.

This is a new law and there is no established program, but if consolidation is approved, a system will be developed by the state working closely with the local officials to implement this program.

VI. Debt, Debt Service, and Capital Planning

A. Introduction

Analyzing debt service is difficult to show comparatively for several reasons.

1. It cannot be apportioned to be a specific part of the tax levy, though it can be shown as percentage of total appropriations.
2. Debt service is a fluid item that changes over time through action of governing bodies and is often driven by financial markets.
3. Decisions on financing temporary debt, refinancing existing debt, new authorizations all may affect debt service appropriations from year to year.
4. Both municipalities have outstanding general obligation debt. Wantage Township has \$2,024,491 in Bond Anticipation Notes Authorized but Not Issued. Sussex Borough has \$535,990 in Bond Anticipation Notes and a Green Areas loan payable.

As part of this study, the capital improvement plans of both municipalities and the recent history of debt issuance have been analyzed.

B. Total General Obligation Debt

The following table represents the relationships of debt issued and equalized value between the municipalities.

	General Obligation Bonds (\$)	Bond Anticipation Notes and Other Debt (\$)	Total Outstanding Debt (\$)	Percent of Combined Debt (%)	Percent of Equalized Value (%)
Sussex	207,000	554,690	761,690	10.6	9.7
Wantage	3,705,000	2,716,384	6,421,384	89.4	90.3
Combined	3,912,000	3,271,074	7,183,074	100.0	100.0

NOTE: Outstanding debt is shown as of October 31, 2008. Because of the self-liquidating feature, utility debt obligations are not included. Equalized value is derived from the 2008 Sussex County Abstract of Ratables.

February 2009

1. Review of General Obligation Debt

Wantage Township has a total of \$6,421,384 debt outstanding as of October 31, 2008. There were a number of Green Acres projects funded including Wantage Park Phase II and Park Improvement. Recently Wantage Township adopted a bond ordinance for various road and paving improvements with a down payment of \$37,500 and authorized bonds in the amount of \$617,500. Wantage debt includes Green Acres loan balance of \$691,893.

Sussex Borough has a total of \$761,690 debt outstanding as of October 31, 2008. Bond Anticipation Notes have been issued and payable in the amount of \$466,750. for various road improvements and the purchase of a fire tanker. Other debt obligations include a Green Acres loan for the Clove Lake Dam. Serial Bonds were issued for the general improvement in 2005 with a balance of \$207,000 to be paid. Sussex Green Acres loan has a balance of \$69,240 as of October 31, 2008. The remainder of the debt is for Bond Anticipation Notes Authorized but Not Issued.

Sussex Borough has appropriated \$98,712 in the 2008 municipal budget for debt service which is 8.1% percent of the total budget (not including the \$600,000 Small Cities grant). Wantage Township is expending \$680,706 in 2008 for debt service, which is 10.8 percent of the total budget. Both municipalities are comparable in the debt they have incurred as per equalized valuation of each municipality.

2. Water/Sewer Utility Debt

Currently Sussex Borough operates a Water/Sewer Utility with \$7,034,311 in serial bonds. It is anticipated that this utility will continue as the Water/Sewer Utility for the consolidated municipality; any revenues which accrue to it, due to sale of capacity or provision of extended service, should be used to reduce the existing debt now supported by the existing customer base. The aforementioned bonds and notes are self-liquidating and will be paid by the ratepayers/customers of the utility. Therefore, from a cost standpoint, they have no effect on the fiscal impact of consolidation.

3. Debt Policy and Capital Planning

Both Sussex and Wantage have developed detailed capital improvement programs to anticipate their capital needs for the future. The Sussex Borough 2008 capital program is for five years and provides an anticipated project schedule and funding requirements. Wantage Township has an extensive capital program that is projected as far out as 2026. It is very detailed with cost estimates and payment plan associated with the particular capital item. It is a balanced program provides for “pay as you go” financing and long term bonding for some capital projects.

Examination of the capital spending practices of recent years shows that Sussex Borough has primarily invested in their roads, parks, and fire equipment. Wantage Township has similarly made significant investments in road improvements, parks, and public works equipment. Most of the aforementioned improvements will have a regional impact.

All residents can benefit from the improvements to the parks and the purchase of capital equipment, i.e. public works equipment, fire trucks, and road improvements and will have a positive impact on a consolidated community. These capital priorities with their significant investments in roads and parks will have a positive impact on real estate values over the long term and are beneficial even in today's difficult real estate market.

The capital programs of each municipality have resulted in the following net debt calculation (three year average equalized valuation basis) of 0.56 percent for Sussex Borough and 0.51 percent for Wantage Township. Both have relatively modest debt to their total equalized value (3.5 percent allowable maximum). The level of outstanding debt relative to the equalized value for both municipalities is very similar.

Both municipalities have made investments in capital and facilities to meet their individual needs in their capital spending plans, as noted. These plans have been developed as individual municipalities, and as such, if consolidation is approved, will be subject to careful review and scrutiny of the new governing body.

4. Findings

An important question must be addressed; "Should the debt of the two municipalities be segregated or merged as part of a consolidation plan?"

The answer requires consideration of infrastructure investment, debt management, as well as capital facilities and equipment planning. Here, the consideration of the differing amounts of debt and assessed value must be carefully combined. If the debt was combined, Wantage Township's share would have 89.4 percent, with Sussex Borough's share at 10.6 percent. This is extremely close to their respective percentage of debt to equalized value with Wantage at 90.3 percent and Sussex at 9.7 percent. For all practical purposes, the combining of the debt of the two municipalities is neutral though there is a minimal shift to Wantage because of its higher assessed value. The shift is for less than 1 percent of the total debt of the two communities, which equates to approximately \$65,000, an amount that would be funded over a number of years with a growing tax base. When debt is combined there is a minimal shift to Wantage because of its higher equalized value relative to debt.

The Department finds that existing debt of the municipalities should be consolidated, not separated, as part of an overall plan of consolidation. While consolidation of debt costs as stated would add a minimal cost increase to the Wantage taxpayer, the annual cost is not sufficient to warrant its segregation, and might logically be offset by the use of the resources that were purchased through that debt.

Another conclusion is that capital equipment and facility planning, practice as a single municipality, may provide alternatives that are not apparent when done separately, and may well provide economies of scale not considered under current management and planning practices.

VII. Observations

A. Open Space Trust Fund

Wantage Township held a non-binding referendum for the creation of an Open Space Trust Fund on November 7, 2006 that was approved by the voters 1,605 in favor to 1,521 opposed. Wantage Township subsequently adopted an ordinance on December 28, 2006, to create an Open Space Trust Fund that provided for the establishment of a separate Township tax line item at an annual rate not to exceed two cents (\$0.02) per one hundred dollars of assessed value. Wantage has collected Open Space funds for 2007 and 2008. Sussex Borough does not have an Open Space Trust Fund.

After consulting with the acting Administrator of the Green Acres Program and Division of Local Government Services officials, it has been determined that if Sussex and Wantage consolidate a public referendum would have to be held for the voters of the new community to determine if they elect to establish an Open Space Trust Fund. The newly elected governing body would authorize this after they take office if they so choose.

B. Small Cities Community Development Block Grant Program/New Jersey Department of Community Affairs

Sussex Borough has been awarded grants from the Small Cities Community Development Block Grant (CDBG) Program in 2006 and 2008. These grants included \$400,000 for road improvements and \$200,000 for a Housing Rehabilitation Program in 2008. There was some concern that the new unified municipality may not be eligible for the Small Cities CDBG Program due to a higher income ranking of the consolidated community. The Federal Housing and Community Development Act of 1974, as amended, has as one of its primary objectives to undertake community development activities that principally benefit persons of low and moderate income.

The New Jersey Department of Community Affairs administers the Small Cities CDBG Program. The question of eligibility was discussed with the Director of the Small Cities CDBG Program. It was confirmed that the consolidated community would be eligible for the aforementioned program. The combined municipality could apply for funding based on Sussex Borough's census tracks. The residents of this area would be the primary beneficiaries of the grant activities and would be eligible based on the funding criteria of assisting low and moderate-income residents. Currently the match requirement of this program is 90% CDBG funds and 10% Sussex Borough required to provide a 10% match. This could change whereby a 20% match would be required in the consolidated community.

C. State Aid

A question was raised, asking “If the two communities were consolidated, would the reduction in State Aid which Sussex Borough lost as a small municipality be restored to the level Wantage is receiving?” The Consolidation Municipal Property Tax Relief Aid (CMPTRA) Program dollars are frozen. The act of consolidation will not increase State formula aid for the municipalities. The amount of CMPTRA aid the consolidated community would receive is Sussex Borough’s 2008 allocation and Wantage Township’s 2008 allocation.

However, there is potential for significant State Aid through the following existing programs:

- 1) The SHARE Program would provide aid for transition purposes for the consolidated community.
- 2) The new Consolidation Fund could provide funding for one-time costs incurred with/by the consolidation of the two communities.
- 3) The Local Option Municipal Consolidation Act aid would provide a property tax credit for residential homeowners and renters who experience a tax or rent increase due to consolidation.

D. Reduction in the Cost of Operations

There is the potential to realize savings in the costs of operations. With the consolidation of the communities, there is the potential for efficiencies to be gained, i.e., one group of professionals, reductions in staff duplication, economies of scale, etc. These are issues which the newly elected governing body in the consolidated community would be addressing with the recommendations of the Commissioner’s Report on the Consolidation of Sussex Borough and Wantage Township as a guideline.

VIII. Appendices

- A.** Tax Rate, County Ratio, Net Valuation and County Equalized Valuation 1998 through 2008 for Sussex and Wantage
- B.** Consolidated Municipal Tax Rate Calculation
- C.** Sussex County Superintendent of Schools, Mr. Frank Drogotta's letter, re: Consolidating Sussex Borough and Wantage Township and Impact on State Aid and Board of Education Membership
- D.** High Point Regional High School 2008-2009 Tax Levy Calculation:
1) Sussex Borough and Wantage Township as Stand-Alone Municipalities; 2) Sussex and Wantage Consolidated
- E.** Current Tax Levies
- F.** Apportionment of the Property Tax Dollar
- G.** Tabulation of 2008 Tax Rate Per \$100's of Valuation Actual and Equalized, Individual and Consolidated Sussex and Wantage Township
- H.** 2008 Equalized Assessed Valuation and Tax Levy by Purpose Individually And Consolidated Sussex Borough and Wantage Township
- I.** 2008 Municipal Budget Fact Sheets (Sussex and Wantage)

APPENDIX A

**Tax Rates, County Ratio Net Valuation Taxable and County Equalized Valuation
1998 through 2008
Sussex Borough and Wantage Township**

Borough of Sussex												
Year	County Tax	Library Tax	Health Service Tax	County Open Space Tax	Regional School Tax	Regional High School Tax	Municipal Purposes Tax	Municipal Open Space Tax	General Tax Rate	Ratio	Net Valuation Taxable	County Equalized Valuation
CY 2008	0.617	0.052	0.019	0.048	1.665	0.931	0.753	0.000	4.085	0.5247	79,675,912	152,335,911
CY 2007	0.581	0.050	0.020	0.062	1.679	0.924	0.664	0.000	3.980	0.5741	79,881,585	139,788,875
CY 2006	0.580	0.050	0.023	0.056	1.686	0.849	0.596	0.000	3.840	0.6228	79,505,066	128,259,150
CY 2005	0.540	0.048	0.023	0.028	1.571	0.803	0.567	0.000	3.580	0.7255	79,468,917	110,370,836
CY 2004	0.543	0.048	0.024	0.024	1.625	0.830	0.556	0.000	3.650	0.7922	79,308,748	101,069,532
CY 2003	0.567	0.050	0.027	0.024	1.540	0.766	0.506	0.000	3.480	0.8294	78,702,727	95,784,376
CY 2002	0.553	0.047	0.025	0.023	1.400	0.706	0.506	0.000	3.260	0.9039	78,119,725	87,508,037
CY 2001	0.525	0.044	0.024	0.022	1.391	0.615	0.489	0.000	3.110	0.9559	76,837,133	81,752,312
CY 2000	0.496	0.043	0.027	0.000	1.246	0.536	0.382	0.000	2.730	0.9590	76,390,033	80,998,884
CY 1999	0.453	0.042	0.026	0.000	1.185	0.525	0.379	0.000	2.610	1.0296	76,358,563	75,647,704
CY 1998	0.569	0.051	0.032	0.000	1.521	0.674	0.493	0.000	3.340	0.7907	55,469,011	71,368,045
Township of Wantage												
CY 2008	0.316	0.027	0.010	0.024	0.870	0.460	0.190	0.005	1.902	1.0223	1,448,518,793	1,421,853,168
CY 2007	0.301	0.026	0.010	0.032	0.860	0.451	0.159	0.021	1.860	1.1028	1,427,233,181	1,303,479,680
CY 2006	0.285	0.025	0.012	0.028	0.809	0.437	0.144	0.000	1.740	1.2642	1,425,394,453	1,135,882,633
CY 2005	0.623	0.054	0.026	0.033	1.667	0.964	0.333	0.000	3.700	0.6246	632,828,623	1,019,123,429
CY 2004	0.606	0.055	0.027	0.027	1.705	0.931	0.319	0.000	3.670	0.7080	613,612,824	870,914,574
CY 2003	0.599	0.053	0.028	0.026	1.604	0.814	0.306	0.000	3.430	0.7811	599,546,939	773,009,063
CY 2002	0.588	0.050	0.027	0.024	1.450	0.778	0.288	0.000	3.200	0.8443	587,788,980	700,995,542
CY 2001	0.560	0.046	0.026	0.023	1.360	0.757	0.308	0.000	3.080	0.8879	568,666,965	644,976,262
CY 2000	0.508	0.042	0.026	0.000	1.217	0.709	0.308	0.000	2.810	0.9274	559,662,650	607,574,496
CY 1999	0.495	0.045	0.028	0.000	1.245	0.689	0.298	0.000	2.800	0.9274	553,680,203	600,739,516
CY 1998	0.472	0.044	0.027	0.000	1.134	0.667	0.297	0.000	2.640	0.9520	548,771,931	580,371,620

Appendix B
Consolidated Municipal Tax Rate Calculation

A	B	C	D	E	F	G
Local 2008 Net Value Taxable	County Equalization Ratio	Consolidated Value (A/B)	Share of Consolidated Value (C/TotalC)	2008 Tax Levy	Share of Consolidated Tax Levy	Consolidated Tax Rate (F/C*100)
Sussex 79,675,912	52.47%	151,850,414	9.7%	600,454	324,557	0.214
Wantage 1,448,518,793	102.23%	1,416,921,445	90.3%	2,752,555	3,028,452	0.214

Consolidated Average Residential Property Tax Calculation

H	I	J	K	L	M	N	O
Local 2008 Residential and Farm Homestead Taxable	County Equalization Ratio	Consolidated Value (H/I)	Residential Farm Homestead Parcels	Average Local Residential Farm Homestead Value (H/K)	Average Equalized Local Residential Farm Homestead Value (L/I)	Consolidated Tax Rate	Average Residential Farm Homestead Consolidated Taxes
Sussex 53,393,800	52.47%	101,760,625	461	115,822	220,739	0.214	\$ 472
Wantage 1,257,323,800	102.23%	1,229,897,095	3,920	320,746	313,749	0.214	\$ 671

Current Average Residential Tax Calculation compared to Consolidated

P	Q	R	S	T	U	V
Local 2008 Residential and Farm Homestead Taxable	Residential Farm Homestead Parcels	Average Value (L)	Municipal Rate	Current Average Residential Taxes (R*S/100)	Avg Residential Farm Homestead Consolidated Taxes (O)	Changes in Taxes (O-T)
Sussex 53,393,800	461	115,822	0.753	872	472	(400)
Wantage 1,257,323,800	3,920	320,746	0.190	609	671	62

Appendix C:

**Letter from Sussex County Superintendent of Schools,
Mr. Frank Dragotta**

**Re: Merging of Sussex Borough and Wantage Township -
Impact on State Aid and Board of Education Members**



JON S. CORZINE
GOVERNOR

State of New Jersey
DEPARTMENT OF EDUCATION
Sussex County Office of Education
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LUCILLE E. DAVY
COMMISSIONER

FRANK DRAGOTTA,
INTERIM
County Superintendent

October 22, 2008

John T. Doyle
Doyle Consulting Services, LLC
109 Surrey Lane
Tenafly, NJ 07670

Dear Mr. Doyle,

As per meeting with you on September 30, 2008 regarding the merging of Sussex Borough and Wantage Township, please see the following information you requested:

1. After consulting with the Division of Finance of the Department of Education (DOE), there would appear to be no difference in State Aid if the two towns merge because the school district is already consolidated as one.
2. The town tax structure would depend on how the two towns were merged, but State aid should remain the same, and the school tax should also be the same.

Following is a list of questions that were asked with the answers appearing after the questions:

1. What is the difference between a regional district tax formula and a single district tax formula?
In this case, as per Finance in Trenton, State Aid should not change because The S-W school district is already one district.
2. How do the debt costs of the individual districts get assumed by the new consolidated town and district?
Debt is handles the same as before the consolidation of towns because the district was already one.
3. What are the "bumping rights" for present administrators if school district's consolidate?
The school district is already one district. There will be no "bumping".
4. What are the possible timelines for school district mergers in the state?
A merger is not appropriate in this case because the district is already one!

5. Are the state monies available for districts who unify?

The district is not merging, but in general, there is no state money available at this time for school district that look to regionalize or consolidate.

6. Does the State funding formula change for a unified district?

The State Funding formula should not change for S-W School district because it is already one district.

High Point and Sussex Wantage

1. What are the present costs for Sussex and Wantage

separately? That information has been provided previously.

2. What is the percentage of students who attend the school from each

municipality? That information has been provided previously.

3. If Sussex and Wantage consolidated, what could the forecast unified tax rate be?

If you are speaking of the towns and the town tax rate, that would have to be decided at a different level. As far as the School Tax, that should not change.

4. How would the new board members be chosen from the unified municipality?

I do not believe the Board would change. When Board vacancies occur or Board seats are available after the required term is over, they would be filled through the normal process.

5. How does state funding change from the regional to a unified district?

State funding should not change because S-W School District is already one district.

Please let me know if there is any additional information that I can provide!

Sincerely,

Frank Dragotta, Sussex County Superintendent of Schools

**Appendix D
High Point Regional School District
FY 2008-2009 Allocations: As Is**

	Branchville	Frankford	Lafayette	Sussex	Wantage	Total
FY 08-09 Equalized Assessed Value	\$ 171,025,405	\$905,648,411	\$475,390,307	\$151,091,073	\$1,396,169,750	\$3,099,324,946
FY 07-08 Equalized Assessed Value	\$ 180,259,182	\$813,812,418	\$455,321,428	\$137,430,730	\$1,292,836,509	\$2,879,660,267
Increase in Equalized Assessed Value	\$ (9,233,777)	\$ 91,835,993	\$ 20,068,879	\$ 13,660,343	\$ 103,333,241	\$ 219,664,679
% Increase in Equalized Assessed Value	-5.12%	11.28%	4.41%	9.94%	7.99%	7.63%
% of Students at HPRHS						
9-12	43.5	323	146.5	112.5	693	1318.5
K-8	80	589	312	228	1404	2613
Total	123.5	912	458.5	340.5	2097	3931.5
Percent 9-12	35.22%	35.42%	31.95%	33.04%	33.05%	
Percent 9-12 x Equal Assessed Val.	60,235,148	320,780,667	151,887,203	49,920,491	461,434,102	1,044,257,611
Percentage Share of the Total Equalized Assessed Value Assigned to High Point	5.7682%	30.7185%	14.5450%	4.7805%	44.1878%	
Municipal Assessed Tax Ratable 2008	\$ 154,482,893	\$958,726,225	\$470,468,740	\$ 79,675,912	\$1,448,518,793	\$3,111,864,563
Proposed 08-09 Tax Levy	\$ 828,936.49	\$4,414,479.02	\$2,090,222.20	\$ 686,989.53	\$ 6,350,105.76	\$ 14,370,733
2007 2008 Tax Levy	\$ 925,417	\$ 4,123,472	\$ 2,064,481	\$ 716,946	\$ 6,266,463	\$ 14,096,779
Levy Increase	\$ (96,480.52)	\$ 291,007.02	\$ 25,741.20	\$ (29,956.47)	\$ 83,642.77	\$ 273,954.00
Levy % Increase	-10.43%	7.06%	1.25%	-4.18%	1.33%	1.94%
08-09 Proposed Tax Rate /\$100 (Fiscal Year Basis)	\$ 0.537	\$ 0.460	\$ 0.444	\$ 0.862	\$ 0.438	\$ 0.462
07-08 Tax Rate /\$100 (Fiscal Year Basis)	\$ 0.574	\$ 0.945	\$ 0.437	\$ 0.898	\$ 0.439	\$ 0.547
Tax Rate Increase/\$100	\$ (0.037)	\$ (0.485)	\$ 0.007	\$ (0.036)	\$ 0.001	\$ (0.085)

Appendix D
High Point Regional School District
2009 Tax Levy Calculation – Current General Fund
Combined Municipalities

	Branchville	Frankford	Lafayette	Sussex -Wantage	Total
FY 08-09 Equalized Assessed Value	\$ 171,025,405	\$ 905,648,411	\$ 475,390,307	\$ 1,547,260,823	\$ 3,099,324,946
FY 07-08 Equalized Assessed Value	\$ 180,259,182	\$ 813,812,418	\$ 455,321,428	\$ 1,430,267,239	\$ 2,879,660,267
Increase in Equalized Assessed Value	\$ (9,233,777)	\$ 91,835,993	\$ 20,068,879	\$ 116,993,584	\$ 219,664,679
% Increase in Equalized Assessed Value	-5.12%	11.28%	4.41%	8.18%	7.63%
% of Students at HPRHS					
9-12	43.5	323	146.5	805.5	1318.5
K-8	80	589	312	1632	2613
Total	123.5	912	458.5	2437.5	3931.5
Percent 9-12	35.22%	35.42%	31.95%	33.05%	
Percent 9-12 x Equal Assessed Val.	60,235,148	320,780,667	151,887,203	511,369,702	1,044,213,210
Percentage Share of the Total Equalized Assessed Value Assigned to High Point Municipal Assessed Tax Ratable 2008	5.7685%	30.7198%	14.5456%	48.9690%	
	\$ 154,482,893	\$ 958,726,225	\$ 470,460,740	\$ 1,528,194,705	\$ 3,111,864,563
Proposed 08-09 Tax Levy	\$ 828,924.49	\$ 4,414,415.15	\$ 2,090,191.96	\$ 7,037,201.40	\$ 14,370,733
2007 2008 Tax Levy	\$ 925,417	\$ 4,123,472	\$ 2,064,481	\$ 6,983,409	\$ 14,096,779
Levy Increase	\$ (96,492.51)	\$ 290,943.15	\$ 25,710.96	\$ 53,686	\$ 273,954
Levy % Increase	-10.42%	7.06%	1.25%	0.77%	1.94%

**Appendix E:
Current Tax Levies**

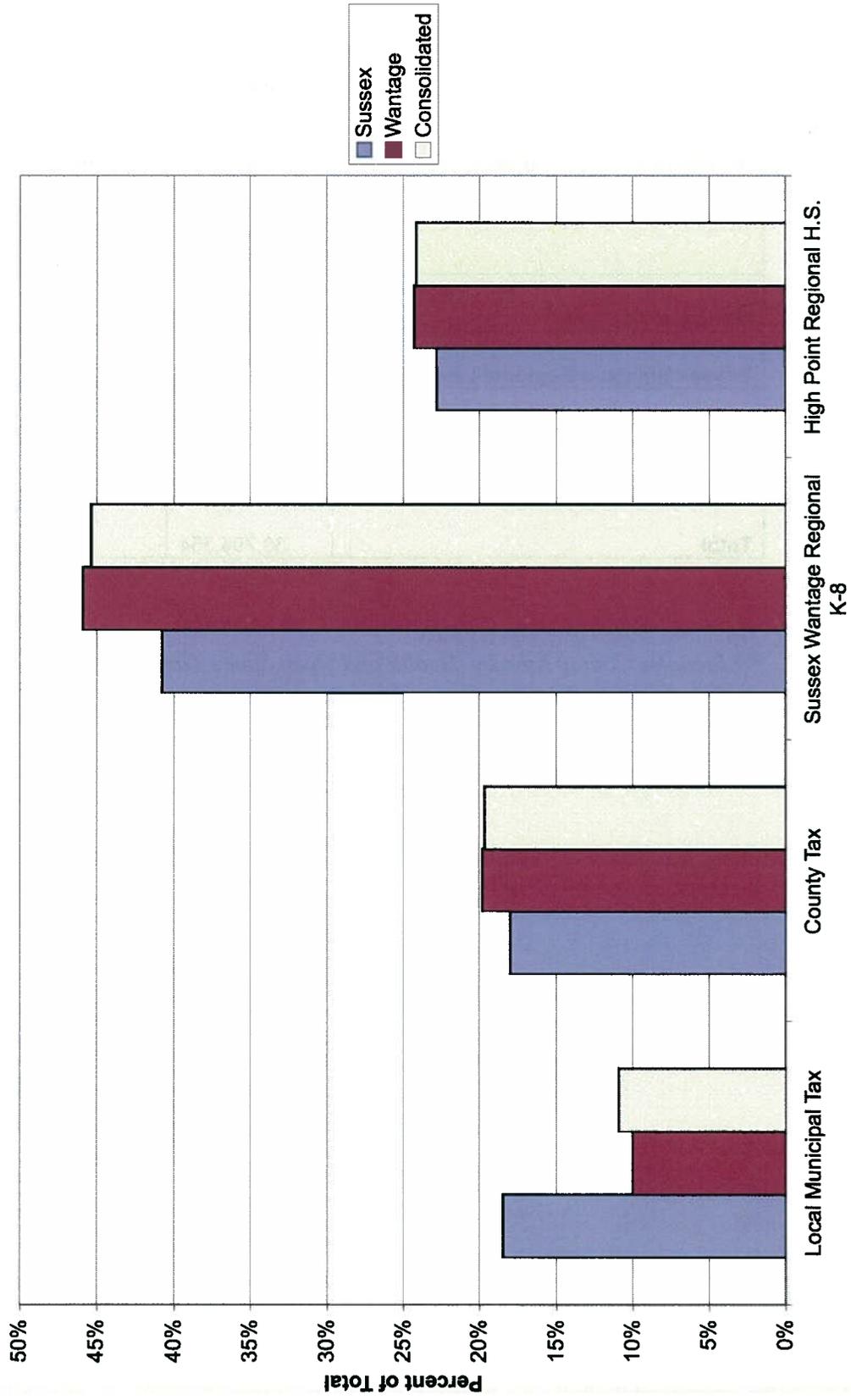
	Combined (\$)	Percent of Total (%)
Municipal Tax Levy*	3,425,435	11.1
Sussex Wantage Regional Levy	13,930,130	45.2
High Point Regional H.S. Levy	7,412,647	24.1
County Tax Levy**	6,026,142	19.6
Total	30,794,354	100.0

**Includes Municipal Open Space*

*** Includes County Library, Health and Open Space Taxes*

Appendix F

Apportionment of Property Tax Dollar



Taxing District



Appendix G

**Tabulation of 2008 Tax Rate Per \$100's of Valuation Actual and Equalized, Individual
and**

Consolidated Sussex and Wantage Township

Purpose	SUSSEX		WANTAGE		CONSOLIDATED
	Tax Rate Actual	Tax Rate Equalized	Tax Rate Actual	Tax Rate Equalized	
County Tax	0.617	0.324	0.316	0.323	0.323
County Library	0.052	0.027	0.027	0.028	0.028
County Health	0.019	0.010	0.010	0.010	0.010
County Open Space	0.048	0.025	0.024	0.025	0.025
School: Sussex-Wantage Regional	1.665	0.874	0.870	0.889	0.888
School: High Point Reg. H.S.	0.931	0.488	0.460	0.470	0.473
Municipal	0.753	0.395	0.19	0.194	0.214
Municipal Open Space	0	0	0.005	0.005	*
TOTAL TAX RATE	4.085	2.143	1.902	1.944	1.961

* - Open Space Referendum needs to be voted on by the consolidated community before implementation

Appendix H
2008 Equalized Assessed Valuation and Tax Levy By Purpose
INDIVIDUALLY AND CONSOLIDATED
Sussex Borough and Wantage Township

Net Valuation Taxable
 County Equalization
 Ratio

	Sussex	Wantage	Consolidated
	79,675,912	1,448,518,793	
	52.47%	102.23%	
	151,850,414	1,416,921,445	1,568,771,859

I. Equalized Valuation

Based upon Calculation from the County Equalization Rates

II. Tax Levies

County Tax	491,131	4,566,533	5,057,664
County Library Tax	41,396	384,856	426,252
County Health Tax	14,539	135,080	149,619
County Open Space Tax	38,176	354,431	392,607
School Tax Sussex			
Wantage School District	1,326,366	12,603,764	13,930,130
School Tax High Point	742,267	6,670,380	7,412,647
Municipal Open Space		72,426	72,426
Local Municipal Tax	600,454	2,752,555	3,353,009
Total Tax Levy	3,254,329	27,540,025	30,794,354

Appendix I
Borough Of Sussex
2008 Municipal Fact Sheet (Page 1a)

Budget

2008 General Budget	\$1,818,167	
2007 General Budget	<u>\$1,249,799</u>	
	<u>568,368</u>	<u>45.5%</u>
2008 General Budget-*	\$1,218,167	
2007 General Budget	<u>\$1,249,799</u>	
Increase/(Decrease)	<u>(31,632)</u>	<u>-2.5%</u>

After subtraction of Small Cities Grant
(600,000) to make a consistent comparison.

Taxation

2008 Amount to be Raised by Taxation	\$600,454	
2007 Amount to be Raised by Taxation	<u>\$528,900</u>	
Increase	<u>\$71,554</u>	<u>13.5%</u>
2008 Municipal Tax Rate	\$0.753	
2007 Municipal Tax Rate	<u>\$0.664</u>	
Increase	<u>\$0.089</u>	<u>13.4%</u>

**Tax Impact on Average Home Assessed
at \$115,822**

2008 Municipal Property Taxes	\$872	
2007 Municipal Property Taxes	<u>\$769</u>	
Increase	<u>\$103</u>	<u>13.4%</u>

**Assessed Value of all Private Property in
the Borough**

2008 Net Valuation Taxable	\$79,675,912	
2007 Net Valuation Taxable	<u>\$79,881,585</u>	
	<u>-\$205,673</u>	<u>-0.3%</u>

**Appendix I
Borough Of Sussex
2008 Municipal Fact Sheet (Page 1b)**

2007 Tax Collection Rate	97.18%
2007 Surplus	\$ 336,069
2008 CAP (Includes 1% CAP Ordinance)	\$ 28,544
New Construction	<u>\$ 1,926</u>
Total CAP	<u><u>\$ 30,470</u></u>

Analysis of Compensated Absence Liability

	Gross Days of Accumulated Absence	Value of Compensated Absences
All Employees	147	\$ 28,961
Municipal Open Space Fund		0
Capital Improvement Fund Balance as of 12/31/07		\$ 50,476
Net Valuation Taxable		\$79,675,912
2008 Tax Point		\$ 7,968
<u>COAH</u> Affordable Housing Trust		\$ 105,000

**Appendix I
Wantage Township
2008 Municipal Budget Fact Sheet (Page 2a)**

Budget

2008 General Budget	\$6,324,460		
2007 General Budget	<u>\$5,853,489</u>		
Increase	<u>\$470,971</u>		<u>8.0%</u>

Taxation

2008 Amount to be Raised by Taxation	\$2,752,555		
2007 Amount to be Raised by Taxation	<u>\$2,274,929</u>		
Increase	<u>\$477,626</u>		<u>21.0%</u>

2008 Municipal Tax Rate	\$0.190		
2007 Municipal Tax Rate	<u>\$0.159</u>		
Increase	<u>\$0.031</u>		<u>19.5%</u>

2008 Municipal Open Space	\$72,426		
2007 Municipal Open Space	<u>\$285,447</u>		
Increase/(Decrease)	<u>(\$213,021)</u>		<u>-74.6%</u>

2008 Open Space Rate	\$0.005		
2007 Open Space Rate	<u>\$0.021</u>		
Increase/(Decrease)	<u>(\$0.016)</u>		<u>-76.2%</u>

**Tax Impact on Average Home
Assessed at \$320,746**

2008 Municipal Property Taxes	\$609		
2007 Municipal Property Taxes	<u>\$510</u>		
Increase	<u>\$99</u>		<u>19.5%</u>

**Assessed Value of all Private
Property in the Township**

2008 Net Valuation Taxable	\$1,448,518,793		
2007 Net Valuation Taxable	<u>\$1,427,233,181</u>		
	<u>\$21,285,612</u>		<u>1.5%</u>

**Appendix I
Wantage Township
2008 Municipal Budget Fact Sheet (Page 2b)**

2007 Tax Collection Rate	96.59%
2007 Surplus	\$ 1,333,524
2008 CAP	\$ 90,997
New Construction	<u>\$ 18,436</u>
Total CAP	<u><u>\$ 109,433</u></u>

Analysis of Compensated Absence Liability

	Gross Days of Accumulated Absence	Value of Compensated Absences
All Employees	1,537	\$ 309,643
Municipal Open Space Fund		\$ 287,863
Capital Improvement Fund Balance as of 12/31/07		\$ 296,517
Net Valuation Taxable		\$1,448,518,793
2008 Tax Point		\$ 144,852
<u>COAH</u>		
Affordable Housing Trust		\$ 372,194
COAH		\$ 175,666

MANDATORY PAYMENT FOR STATE POLICE SERVICES IN RURAL MUNICIPALITIES

APPENDIX E

INTRODUCTION

As part of the consulting services for the Joint Consolidation Study Commission of Wantage Township and Sussex Borough, the Request for Proposal directed that the consultant prepare the following report:

Forecast of the likelihood for Mandatory Local Police presence in rural towns;
analysis/comparison of cost involved in creating a local police department, creating a regional police department, break-even point for making payments to the State of NJ for continued State Police presence, contracting with Sussex County for a county or regional police department

COUNCIL ON LOCAL MANDATES DECISION

The report of the Council follows:

In re Complaints filed by the Mayors of Shiloh Borough and the Borough of Rocky Hill, and by Southampton Township, Deerfield Township, Shamong Township, Upper Deerfield Township, and Buena Vista Township (7-08).

HEARING and RULING. On October 22, 2008, the Council heard oral argument by the Claimants' counsel, Respondent State of New Jersey, and amicus New Jersey State League of Municipalities, on the cross-motions for summary judgment filed on behalf of Claimants and Respondent.

After oral argument, the Council recessed to deliberate, and the Council Chair announced the Council's decision: the Appropriations Act, at page 158, line 8 through page 159, line 17, constitutes an unfunded mandate and therefore is "null, void and unenforceable." The Chair also stated that a formal opinion, explaining the reasons for its decision, would follow in due course.

The above decision removes this issue from further consideration by the Consolidation Study Commission. However, it is possible this matter will arise at some time in the future. Therefore the Commission makes this report available to the governing bodies of municipalities for their possible future use.

STATE OF NEW JERSEY POLICY

The Department of Treasury issued a report prior to the adoption of the FY 2009 Budget entitled, "Background on Rural Policing Cost-Sharing Agreement." The report outlines the administration policy regarding charges for New Jersey State Police (NJSP) services to "rural" municipalities. This report set forth the following policies:

The State's Fiscal Year 2009 budget requires municipalities receiving State Police protection services to enter into a "cost-sharing" agreement with the State Treasurer in order to continue to receive those services.

Currently, 89 municipalities receive free rural patrol services: 76 receive full-time services and 13 receive part-time services. Sussex and Wantage are both classified as receiving full time services.

In 2007, the State estimates that it spent about \$80 million to provide these services.

Originally the state expected to receive \$20.5 million for these services, but the budget was revised to seek \$12.5 million. The latter allegedly represents 15.6% of the current costs.

The law specifically provides that the costs for the last half of calendar 2008 can be budgeted in CY 2009.

In order for the state to realize monies in the current budget, FY 2009, but not impose the bill on municipalities until CY 2009, the State will make the payment due following January 1st.

"If such arrangements are not completed by December 15, 2008, the municipality shall be deemed to have entered into a cost sharing agreement with the Treasurer retroactively to July 1, 2008."

According to this report, the FY 2009 "cost-sharing" formula is based on the following:

Costs were allocated based on property value and types of property were best suited for this purpose.

About 25% (\$20.5 million) of the State's estimated cost of providing rural policing services (\$80 million) were allocated to receiving municipalities.

This amount was then reduced by the amount necessary (\$8 million) to limit average residential property tax increases for policing services to \$100.

"The \$20.5 million was allocated among municipalities by applying per parcel rates for two types of parcels, residential and non-residential, broken down further by full-time or part-time protection. That initial amount was checked against a \$100 increase in taxes, and for those municipalities that exceeded the \$100 limit, reducing the gross amount to the amount that would result in a \$100 increase. That reduced the total from \$20.5 million to \$12.5 million. All full-time municipalities received the benefit of the \$100 cap; the rate for part-time municipalities remained at \$71."

A community not having received these services in FY 2008 shall not receive these services unless "unless that municipality enters into a cost sharing agreement with the State Treasurer to provide the full cost of the Division of State Police for providing such services."

"The State is prohibited from providing any municipality that does not receive State Police services as of July 1, 2008 from receiving them without entering into a cost-sharing agreement with the Treasurer." This would occur following the December 15th deadline.

"... amounts required by a municipality to be raised to pay for the cost of police services pursuant to a cost sharing agreement, as described hereinabove, shall be treated as an exclusion that shall be added to the calculation of the municipal adjusted tax levy."

"... if the Superintendent of the Division of State Police, in consultation with the Attorney General, determines that public safety requires that police protection be provided to the inhabitants of rural sections ... despite the fact that a municipality ... has not entered into a cost sharing agreement with the State Treasurer, monies appropriated to the Division of State Police and the Department of Law and Public Safety may be used for providing such police protection and the Director of the Division of Budget and Accounting is authorized to withhold State Aid payments to such municipalities and transfer such amounts to the Division of State Police."

"The budget also prohibits municipalities from applying for Extraordinary Aid for any expenses related to a cost-sharing agreement for rural policing."

It should be noted that neither the report nor any other information supplied by the State to affected municipalities addressed any of the following still outstanding issues:

How does one define a "rural community"?

How does one define "rural police services" as they are provided by the NJSP?

How does one define the level of service (LOS) provided to various municipalities?

Is the level of service consistent from municipality to municipality?

What is the operational definition of "rural patrol" when used to define the services of the NJSP?

Is the basis for allocating costs reasonably based on the cost of services provided by NJSP?

LEAGUE OF MUNICIPALITIES POLICY

As of mid-August 2008, the official position of the New Jersey State League of Municipalities is as follows:

LEAGUE OF MUNICIPALITIES' POSITION CONCERNING STATE POLICE PROPERTY TAX MANDATE:

"We believe, based on Constitutional and statutory provisions and on past cases it has decided, that there is a good chance that the Council on Local Mandates will nullify State Budget language requiring certain municipalities to enter into 'cost sharing agreements,' which would increase property tax burdens for their residents and businesses by more than \$9 million, statewide. (See list of complaints filed with Council on Local Mandates below.)

"We believe that the State would continue to be under both a legal and a moral duty to provide police protection to those residents and businesses, as it has for over 70 years.

"Despite [the first two paragraphs] above, and despite the failure of past efforts to negotiate a compromise on State Police funding issues with State Executive Branch personnel, municipal officials remain willing to work toward that end.

"Local elected officials, therefore, reiterate their support for legislation that would produce revenues that could be used to provide property tax relief and support for State Police services, in all of New Jersey's 566 municipalities.

"Representatives of member municipalities commend Senator Van Drew and Assembly members Milam, Albano and Karrow for their bi-partisan work on such legislation and offer the following comments regarding possible amendments to S-1976/A-2982:

"Any surcharge should be assessed on certain, clearly defined, offenses.

"A \$15 surcharge should be sufficient to assist the State with funding certain State Police services and to assist municipalities in providing relief to property taxpayers for costs associated with municipal court security, public safety operations and other essential services.

"All municipalities, whether they have created a police department, have contracted with a neighboring municipality for police services, have received State Police services, or have relied

on some combination of those arrangements, should benefit from the proceeds of the surcharge, as should NJSP.

“Surcharge receipts should be distributed according to an explicit, rational formula that is based on a true cost-benefit analysis of State Police Rural Patrol activities, consistent consideration of a municipality’s geographic and demographic characteristics, consideration of the entity or entities responsible for the enforcement action and consideration of changing circumstances and increasing costs.

“Funding for municipalities with their own police departments should be based on the amount that the municipality would have collected, if the surcharge had been in effect in 2007, in order to discourage over-aggressive enforcement.

“Local elected officials should not be required to seek State approval concerning the size of a local police department.

“The legislation should eliminate the unrealistic December 15, 2008 deadline, set forth in the State Appropriations Act, for action by a municipality currently receiving certain State Police services.

“Surcharge proceeds should be dedicated, to the maximum practical extent, to the above specified purposes, and should not be used to justify any diminishment of other municipal property tax relief funding programs.

“In addition to these comments on the surcharge legislation, local elected officials also need specific information about the actual police services that the NJSP provides to their own and all other municipalities, so that they can evaluate alternatives, such as contracting with a neighboring municipality or with the county for police services or forming their own police departments.

“And, in addition to funding for a study of public safety alternatives and for the implementation of an alternative, local elected officials will need exceptions to both the appropriations cap and the levy cap, in order to proceed along those lines.”

In addition, during July and through 12 August 2008 the following municipalities filed complaints regarding this policy by the Corzine administration with the State of New Jersey Council on Local Mandates:

- Borough of Shiloh (Cumberland)
- Township of Southampton (Burlington)
- Township of Deerfield (Cumberland)
- Township of Upper Deerfield (Cumberland)
- Borough of Rocky Hill (Somerset)
- Township of Buena Vista (Cape May)
- Township of Shamong (Burlington)
- Township of Lawrence (Cumberland)
- City of Estell Manor (Atlantic)
- Township of Millstone (Monmouth)
- Township of Commercial (Cumberland)
- Borough of Wrightstown (Burlington)

Township of Maurice River (Cumberland)
Township of Woodland (Burlington)
Township of Mannington (Salem)

It is likely that these complaints will be consolidated as the issues raised are very similar. The complaints were forwarded to the Attorney General "to file an Answer to the Complaints on behalf of the State or New Jersey"

The Council has set a pleading schedule as follows:

"Respondent Answer(s) and any Motions directed to the consolidated Complaints - August 15, 2008.

Motions by any Claimants wishing to pursue injunctive relief - August, 15, 2008.

Claimant responses to any Respondent Motions - September 5, 2008.

Responses by Respondent(s) to any Claimant motions for injunctive relief - September 5, 2008.

Requests to Appear as amici curiae - September 12, 2008.

Objections to Requests to Appear as Amici curiae - September 19, 2008."

Detailed and more up to date information can be found at the following web site:
<http://www.state.nj.us/localmandates/pending/index.html>

FACTORS THE MUNICIPALITIES SHOULD TAKE INTO ACCOUNT

Clearly the requirement to respond to the demands of the State of New Jersey by the Borough of Sussex and the Township of Wantage will occur prior to the completion of the deliberations of the Joint Municipal Consolidation Commission's work. As the governing bodies of these two municipalities consider how they should proceed, we offer the following suggestions:

Act based on long term considerations - Define the level of service (LOS) that the residents of the municipalities require and determine the best way to provide this LOS. The alternatives below provide two alternative levels of service and two methods by which this might be obtained.

According to the Pleading Schedule, the Council on Local Mandates should act prior to the declaration deadline of 15 December 2008. However, it would be in the best interests of the State for this not to happen. While a ruling might go against the State, by the time it came down a significant number of municipalities would probably have made a decision to opt out of State Police rural patrols and permitted the State to bank those savings for the next fiscal year. The municipalities should not "bank" on a decision being rendered within the required time frame.

Realize that the current billing of \$69,323 and \$448,074 is just the beginning. - According to the State Treasurer, this amount represents about 15.6% of what the State estimates their costs to be. The State Treasurer has refused to share the formulas and cost calculation elements with the affected municipalities or the general public. Originally, they planned to charge Sussex and Wantage \$123,888 and \$769,138 respectively or \$893,026 for both. At these rates, the billing was

allegedly only about 25% of the total costs borne by the State for these services in 2007. This means that eventually, in 2007 dollars, the billing could rise to about \$495,000 and \$3,075,000 respectively or \$3,570,000 for both.

State Police Level of Service Data

Attempts have been made to obtain data from the State Police that would permit a calculation of the current levels of service being received by the Borough and by the Township. The State Police have not provided any data to assist GMA in the development of this report.

ALTERNATIVES FOR POLICE SERVICES

Factors creating demand for police services

As part of this study, we attempted to examine when and why municipalities create their own police forces. There were two key factors examined: population and crime.

POPULATION GROWTH & SOCIAL INTERACTION

Where informal social processes are no longer able to maintain social discipline and order, people will turn to formal institutions to resolve conflicts.¹ Informal social processes are typical of smaller and more rural communities. As communities grow or develop more complex social relationships, the demand for formal institutions to resolve conflicts will also grow. The “formal institutions” to which they will turn are often local government.

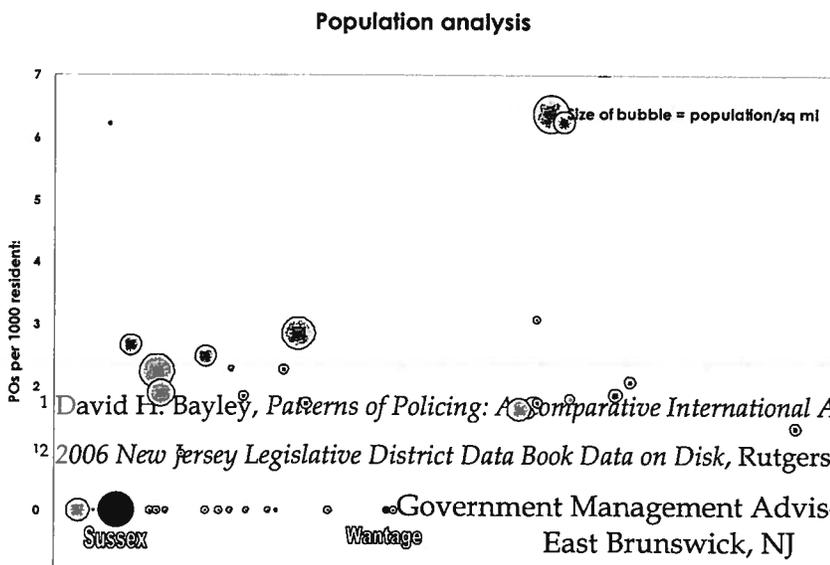
Up to a point, population alone does not predict the existence of a police department in a municipality. For purposes of this study, we looked at the police situation in this group of municipalities:

- All municipalities in New Jersey that are larger than 45 square miles, with a population less than 20,000. (Sussex and Wantage, together, cover 67.8 sq mi with a combined population of 13,635.)²
- All Sussex County municipalities, regardless of size or population

(Including communities with fewer than 5000 residents that are smaller than one square mile – using Sussex as a model – raised the number of comparable municipalities to 110. However, many of these are small, dense, urban municipalities rather than rural centers. Therefore,

including these in the study was not seen as useful.)

Including Wantage and Sussex, 42 municipalities in eleven counties met these criteria. The chart **Population Analysis** shows the number of police officers in each municipality (vertical axis)



plotted against population (horizontal axis) and population per square mile (size of bubble).

(On the charts, Sussex and Wantage are shown in black and labeled, for ease of identification. Larger versions of the two charts are included at the end of the report.)

What emerges is — up to a point — a lack of pattern. Among 34 communities of fewer than 15,000 residents, eleven have their own police departments and the

rest do not. Among those communities with their own police, five are dense. Among those smaller communities without their own police, all but two — Sussex being one of them — are low density and rural.

However, once population crosses the 15,000-resident line, a clear pattern emerges: all the towns have their own police, despite the fact that most of them are not densely populated.

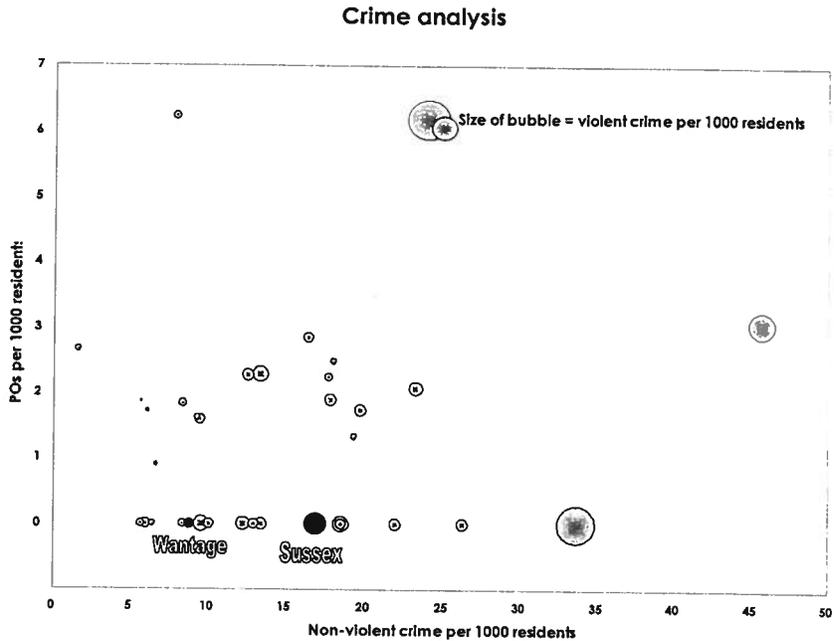
CRIME RATE

We might assume that communities with higher crime rates are likely to create their own police departments. To a certain extent, this is true, but the pattern is neither clear nor uniform.

The chart **Crime analysis** compares the number of police officers (vertical) with the crime rate per 1000 residents (horizontal) and the rate of violent crimes per 1000 residents (size of bubble).³ Again, Wantage and Sussex are shown in black and labeled.

As the chart shows, some towns with low crime rates have police departments and some towns with higher crime rates do not.⁴ No clear pattern emerges.

It is clear, however, that Sussex has a higher crime rate than Wantage. However, the violent crime rate in Sussex in 2006 was much higher than in 2005. Again, small numbers produce disproportionate results: There were three aggravated assaults in 2005 and nine in 2006. Along with a single 2006 robbery, this raised the borough's violent crime rate from 1.4 per 1000 residents to 4.6. (Wantage's violent-crime rate remained steady at 1.0 per 1000.)



³ Source on crime rate and number of police officers: *Crime in New Jersey: Uniform Crime Report for the Year Ending December 31, 2006*, Office of the Attorney General, NJ Department of Law & Public Safety, 2007

⁴ One community has no police, a high crime rate, and a high rate of violent crime. That community is very small (<1500) and had a spike in aggravated assaults (from two to seventeen) in 2006. Thus, two small numbers produce a jarring result.

It is also clear that the two communities' combined crime rates are lower than the average of the 42 communities in the comparability analysis: Sussex and Wantage combined had 1.4 violent crimes per 1000 residents in 2006, versus the comparables' average of 1.6. Non-violent was ten per 1000 against the comparables' average of 14.3.

CONCLUSIONS

Based on this analysis, no pattern emerges that would predict that a consolidated community would decide to form a police department in the near term.

Reaching a population of 15,000 appears to be a key indicator that a police department will be formed. According to the Sussex County Planning Division, the combined population of the township and the borough is not expected to reach that level until 2020.

Therefore, we conclude that providing police services other than the NJ State Police will be a decision based on local demand rather than any predictable indicators such as crime rate or population.

Alternatives

Because the State of New Jersey's decision to charge municipalities for services of the state police has caused budgetary issues, other approaches to providing police services are reviewed in comparison with state-provided services. Five optional approaches are:

- 1 Continued use of the state police.
- 2 Minimal services (similar to current state police), provided locally.
- 3 Minimal services (similar to current state police), provided by contract.
- 4 A full-service police department, provided by contract.
- 5 A full-service local police department.

CALCULATING SERVICE REQUIREMENTS AND COSTS

Determining number of officers

This is the standard calculation for determine how many police officers are needed to staff a position.

Round-the-clock service = 24 hours X 365 days = 8760 hours.

Availability of one police officer =

Nominal annual working hours	2080	Standard number, irrespective of shift schedule
Less (all stated in hours):		
Vacation	120	Assume three weeks
Illness	40	Assume five days
Training	40	Mandatory + elective
Holidays	0	Normally paid as a supplement
Miscellaneous	40	Other assignments, court appearances, etc
Net available	1840	

Officers required to staff one position = 8760 ÷ 1840 = 4.7 ≈ 5.

(As a department ages, the required number of officers increases due to additional vacation, sick leave, etc.)

Cost per officer

Based on the results of a 2006 study done by Summit Collaborative Advisors, using 2005 data from eleven NJ municipalities, the average annual police operating cost per officer was \$103,700. This figure includes all costs covered by the municipalities' annual police operating budget, including command and supervision, communications, technology, transportation, and office support. It does not include the cost of benefits – required to be shown as a separate, consolidated budget account by state regulations – or non-police support costs such as payroll and capital facilities.

Adding direct costs to this average, this estimated cost per officer emerges for 2009:

2005 cost per officer	\$103,700	Per study
Increase to 2009	\$17,614	Assume 4% per year
Projected 2009 cost per officer	\$121,314	
Health benefits	\$14,800	State program/family coverage/prescription
Medicare	\$3,188	3.5% of salary; typically not enrolled in FICA
Pension	\$7,225	8.5% of \$85,000 base salary
TOTAL estimated cost per officer	\$146,527	

Forecasting payroll and capital costs is beyond the scope of this study, because they depend in part on the administrative infrastructure already in place and on the availability of existing space. Also note that start-up costs can be significant and that it can take easily nine months to train a new officer – a time during which the municipality is paying the costs but reaping none of the benefits of the officer.

In the following discussion of alternatives, an annual cost of \$146,500 per police officer will be used.

ALTERNATIVES

1. Continued use of the state police

Interviews with local officials indicated that the current level of state-police service is limited to response to serious situations, with little routine patrol or response to quality-of-life issues. Some exceptions were mentioned – notably a recently increased presence in Sussex – but these were seen as possibly fleeting.

As discussed elsewhere in this report, where the State of New Jersey goes with its attempt to charge municipalities for state-police services is, at best, uncertain. What is certain is that the state has financial problems and wants to charge for these previously free services.

Three key numbers need to be kept in mind: the 2009 final cost billed by the state, the original billing amount, and the 25% of its costs that the state claims the original billing represents.

Using the combined bills for Sussex and Wantage, and the \$146,500 projected average cost-per-officer figure, this is what these three levels of state billing represent:

State bill	Combined Wantage + Sussex	Equivalent # officers
Final	\$517,397	3.5
Original	\$893,026	6.1
Potential "full cost"	\$3,572,104	24.4

This calculation can be used to help determine the relative value of continued state police services. Local interviews make clear, however, that the state police cannot possibly have more than twenty troopers assigned to Sussex and Wantage, even allowing for costs that are generally believed to be higher than those of municipal police departments. The state has declined to release the formula on which it bases its calculation of costs

2. Minimal services (similar to current state police), provided locally

For purposes of this report, “minimal services” are defined to include:

- Immediate response to serious incidents
- Reasonable response to quality-of-life incidents
- Occasional patrol

It is possible that this level of service could be provided by a small local police department. Many small communities have forces with four to seven officers. Most of these are designated Rural Centers, similar to Sussex, and so have a much smaller population than a consolidated Wantage and Sussex.

However, given the “startup” nature of this alternative, a force of five officers would provide “24/7” service at an estimated cost of \$732,500. As in some other communities, this small force could be led by a sergeant or lieutenant, rather than a chief. The municipal administrator could be designated as director of public safety.

There are drawbacks to this approach:

- There is no automatic backup for the local force, necessitating an agreement with the state police or some other municipality to provide backup. Given the two communities’ comparatively low crime rate, backup might be needed perhaps 125-150 times a year.
- It is also possible that no other nearby municipality – Franklin, Hamburg, Hardyston, or Vernon – will be willing to commit its police department to backup response in Wantage and Sussex, or that the cost would be unappealing.
- It requires a contract for dispatch services.
 - (NOTE: The cost for dispatch is included in the estimated total cost, because the model (see Page 9) includes the cost of dispatch.)
- Residents’ appetite for police service is likely to grow, once they have “their own” police department. Expectations will grow that police will respond – effectively – to incidents of minor theft, speeding, and so forth. This will increase pressure on a governing body to grow the department. But, as with all other issues of public policy and allocation of resources, the governing body will need to determine if additional service is worth additional cost.
- It might be wise to have a contract in place with another department – presumably the “backup” department – for consulting on command and supervision issues.
- Inevitably, it introduces a new union labor agreement into the mix.

3. Minimal services (similar to current state police), provided by contract

Buying police service from another municipality is a possible alternative. At this minimal level, an established department would probably have to dedicate six officers, rather than the five suggested above. This is because both newly hired officers and senior officers would be assigned, and senior officers are more likely to have additional time off. (Established department are also more likely to have adopted one of the popular, but less efficient, long-day shift schedules.)

With six officers assigned, the projected cost of this alternative is \$879,000. This could actually be cheaper than creating a small local department because of the unknown costs of contracts for command and supervision consulting, dispatch, and backup services.

This alternative would address some of the drawbacks cited above. However, it would also depend on another police department's willingness to undertake not only the primary services, but also the backup. A department that has only one or two cars on patrol would be hard pressed to divert a second officer as backup under this scenario.

4. A full-service police department

Two alternative approaches are reviewed: contracting with another municipality, and forming a local department.

Defining "full service"

Before examining those options, it is useful to define "full service". It means a force that is self-sufficient, with its own command and supervisory structure, detectives and other specialists on staff, and support employees for back-office functions. In this analysis, it does not include in-house dispatchers because those four, five, or six employees would be very expensive overhead compared with contracted services.

The same 2006 study that helped establish the per-officer cost of \$146,500 also yields other figures of interest, based on eleven "full-service" departments:

- In the eleven study communities, the average number of police officers per 1000 residents is 2.5.
- The average segment of police officers at supervisory or command rank is 31%.
- There is one civilian for every five sworn officers, performing services such as dispatch, technology management, and office support.
- The ratio between crimes and police officers is 11.25 to 1.

Using these results, we can predict the structure of a police department serving a consolidated Wantage and Sussex, with 13,635 residents:

- Based solely on population: $2.5 \text{ officers} \times 13.6 = 34$ sworn officers, of whom 11 are sergeants and above, plus seven civilians. (This approximates the size of the Vernon and Sparta departments, each of which serves a much larger population.)
- Based on number of crimes in 2006: $182 \text{ crimes} \div 11.25 = 16$ sworn officers, of whom five would be sergeants and above, plus three civilians.

ALTERNATIVE 1: Contracting with another municipality

Buying full-service police services from another town has many advantages relative to creating a full local department. The physical and management infrastructure are already in place, and so startup costs are minimized. The "corporate culture" of the provider can be assessed and taken into account.⁵ At least on a limited basis — pending hiring and training of new officers —

⁵ Some police departments are very service oriented, welcoming the opportunity to help people who are locked out of their cars or homes, and other quality-of-life situations. Others are strictly law-enforcement agencies that do not care to become involved in "unimportant" or "trivial" situations.

service can begin immediately, whereas a new local department can take many months to gear up.⁶

In determining which model to use — population based or crime (activity) based — the new municipality is likely to opt for the one that yields the smaller and less expensive department.

In negotiating with another municipality for service, the new municipality would note that the command and support structures are already in place. Existing shift sergeants could supervise the additional patrol zones. (“Span of control” is the number of officers reporting to a single supervisor. In the Seattle police department, the average span of control was 6.7 officers in 2005.⁷ Although the current trend is to increase span of control, in smaller departments it is generally a lower number, and the shift sergeant may be on patrol and rendering services personally.⁸)

The consolidated community could negotiate for two patrol zones, requiring twelve officers for 24/7 staffing. This option is likely to cost about \$1,758,000, assuming that the provider police department concurs that two zones are enough.

ALTERNATIVE 2: Traditional local police department

Creating a police department for a new consolidated municipality, sixteen sworn officers plus civilian support is the more likely size. This would be enough to staff two patrol zones, provide a small command cadre, a few sergeants (some of whom would patrol), and office support.

With another department providing dispatch services under contract, the estimated annual operating cost is \$2,344,000. This is a third higher than the contract option because it requires command, supervisory, and support employees in addition to the twelve officers needed to staff the two shifts. The supervisory and command structure would have a small span of control, increasing the relative costs of managing the department when compared with a contracted service.

Other costs

These estimates do not include startup costs or capital costs.

If space suitable for a police headquarters — including adequate secure parking — exists and can be converted, those costs will be reduced. Otherwise, new construction will add considerably to the cost of this alternative.

In any scenario, radio and computer communications are an unknown factor. Whether buying police services or only dispatch services, the provider agency’s radio and computer-based systems must be extended to serve the new area.

⁶ The process of recruiting, screening, hiring, and training a new police officer can easily take a year, salary and other costs are being paid during training, when no service is being rendered.

⁷ City of Seattle auditor’s report, September 2005. www.seattle.gov/audit/report_files/2005-13_Span_of_Control_In_City_Govt_Increases_Overall.pdf (Downloaded 9/18/2008, 3:43PM)

⁸ *Span of Control for Law Enforcement Agencies*, The Police Chief magazine, International Association of Chiefs of Police, October 2006

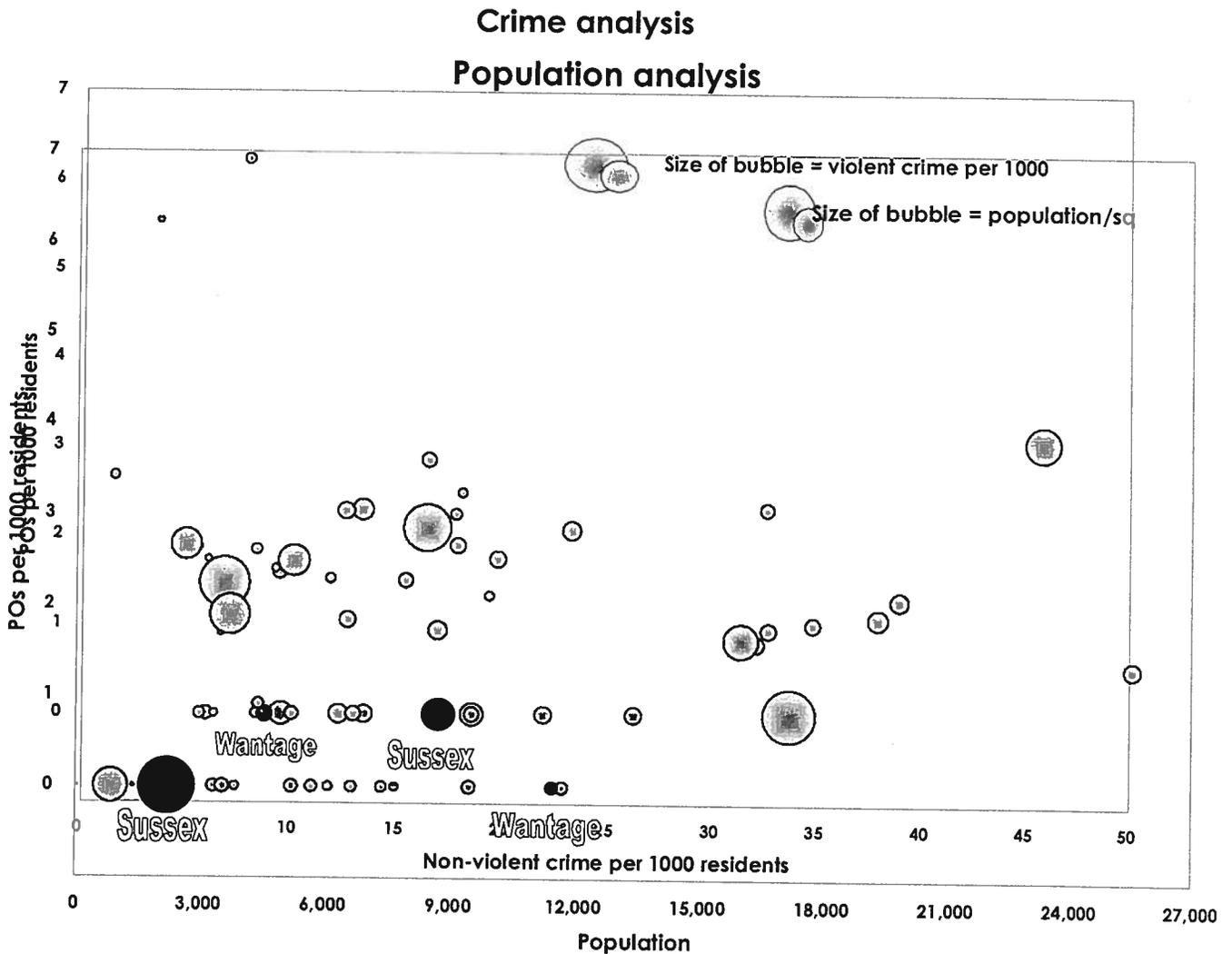
SUMMARY

The various approaches to police services and their estimated annual operating costs are:

Continued use of the state police: \$893,026, up to a theoretical “full cost” figure of \$3,572,104 (2009 dollars). (Please note that the state has not indicated any intent to increase its billings to the “full-cost” level. This is included as the dreaded “worst case” scenario.)

“Minimal service” local department: \$732,500 + startup + training + capital costs + backup + specialized services when needed.

“Minimal” contracted service: \$879,000 + startup + capital costs.



“Full service” contract: \$1,758,000 + startup + capital costs.

“Full service” local department: \$2,344,000 + startup + training + capital costs.

FIRE AND RESCUE SERVICE REPORT

Appendix F

Several meetings were held to gathering the information contained in this report. The purpose of the report is multifaceted. Firstly, gain knowledge and understanding of how each respective department functions currently. Secondly, make recommendations for the departments if consolidation were to take place. Thirdly, offer some suggestions of possible efficiencies for the departments if consolidation did not take place.

We wish to thank the Sussex and Wantage Fire and Rescue departments for their invaluable input. Without it we would not have been able to complete this report. Their professionalism and unselfish service provide outstanding fire and rescue services to both communities.

FIRE AND RESCUE SERVICE DISTRICTS

WANTAGE TOWNSHIP FIRE DEPARTMENT

Wantage Township currently enjoys the benefits of "First Response" service from any one of four separate fire companies, with regard to firematic response to an incident in Wantage Township.

The northeasterly sector of Wantage Township is covered on "first response" for fire events by Unionville Fire Department of Unionville, NY (Minisink Hose Company). Several years ago, Minisink Hose Company alerted Wantage Township to a "Catch-22" situation in which the Unionville Insurance carrier in the State of New York could not provide them with worker compensation eligibility for activities they undertook outside the state of New York. The Wantage Township insurance carrier could not offer worker compensation eligibility for Unionville firefighters because they were not based in New Jersey. Rather than lose Unionville's first responder services, Wantage Township has agreed to pay a separate worker compensation rider policy for Unionville FD each year (\$4,050 in 2008). Wantage Township also makes an annual contribution to Unionville FD to help defray their costs of operations under the budget line item "Aid to Volunteer Fire - Adjoining Municipalities" (\$12K in 2008).

Wantage Township, the Wantage Township Fire Department, and Minisink Hose Company #1 have entered into a signed contractual agreement establishing firematic response obligations and coordination of procedures within Wantage Township. The current contract runs through June 30, 2012.

The northwesterly sector of Wantage Township is covered by Colesville Fire Company. The southwesterly sector of Wantage Township is covered by Beemerville Fire Company.

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Wantage Township currently has an ordinance in place which creates the "Wantage Township Fire Department". The Wantage Township Fire Department is comprised of Beemerville Fire Company and Colesville Fire Company.

On a purely informational level, it is relevant to understand that even if the Mayor and Committee of the Township of Wantage were ever to repeal its ordinance creating the Wantage Township Fire Department, both Beemerville Fire Company and Colesville Fire Company would continue to "exist", for they are separately incorporated entities in their own right. Wantage Township provides annual contributions to both fire companies. Each company receives a donation of \$45,000, which adds up to \$90,000, representing the maximum contribution allowed under current NJ statutes. Wantage Township budget also provides an "operating expense" budget for the Wantage Township Fire Department (\$25,685 in 2008), as well as covering the costs for Hepatitis B inoculations (\$2K in 2008), OSHA required turnout gear (\$27K in 2008), and PEOSHA Respiratory Program expenses (\$6K in 2008)

Sussex Fire Department provides First Responder service to the southeasterly sector of Wantage Township. Wantage Township provides an annual donation to Sussex Fire Department to help them defray the costs of operations (\$45K in 2008, matching the amount given to Colesville and Beemerville).

On January 1, 2007, Wantage Township entered into a contractual agreement with Beemerville Fire Company, Colesville Fire Company, and Sussex Fire Department, in which all three fire departments agree to provide fire response services in Wantage Township. The agreement creates a Board of Fire Chiefs which acts as an advisory body for fire service issues in Wantage Township. This agreement is valid through December 31, 2011.

Firematic First Response territories are delineated on a map dated February 1, 1979.

SUSSEX BOROUGH FIRE AND RESCUE

Sussex Fire Department provides first response fire service to the Borough of Sussex and the southeastern sector of Wantage Township as is delineated in the 911 map.

The 2008 Sussex Borough budget had a line item of \$27,810 for "Aid to Vol. Fire Department", and "Hepatitis B Vaccination" line item of \$500.

The Sussex First Aid Squad is a part of the Sussex Fire Department. The Sussex First Aid Squad provides first response activity for EMS within Sussex Borough.

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WANTAGE FIRST AID

The Wantage Township First Aid Squad is a separately incorporated entity. Wantage Township contracts with the Wantage Township First Aid Squad to provide first response activity for EMS within the borders of Wantage Township. The written contract for these services was first signed in January of 1993, and has continued by mutual verbal agreement ever since. Wantage Township provides an annual donation to the Wantage Township First Aid Squad in its municipal budget (\$30,500 in 2008).

MUTUAL AID

All entities involved - Beemerville Fire Company, Colesville Fire Company, Sussex Fire Department, Sussex First Aid Squad, Wantage Township First Aid Squad, and Minisink Fire Company - provide mutual aid responses as needed and requested. The interaction among these agencies represents a high degree of professionalism. The coordination of response activities within Sussex Borough and Wantage Township affords an high level of success, and represents a fine example of volunteers keeping open the lines of communication for the benefit of an entire community of residents.

LONG RANGE PLANNING

In 2007, Wantage Township, Sussex Borough, the Wantage Township Fire Department, the Wantage Township First Aid Squad, and the Sussex Fire Department met for a series of meetings, to discuss long range planning of the vehicle/capital needs of the Wantage and Sussex communities. These meetings revealed a number of relevant facts that may impact a newly consolidated municipality.

With respect to the long range needs of the Wantage Township Fire Department and First Aid Squad, Wantage Township has created a ten year vehicle replacement schedule which maps out when a new fire truck or ambulance will be needed. To date, Wantage Township has been able to fulfill the needs of the Fire and First Aid functions in the year identified for action. The long range plan estimates that \$2.2 million will be spent by Wantage Township for fire vehicles and ambulances between 2009 - 2020. Wantage Township shall be pursuing the purchase of a new fire truck in 2009, to replace a 20-year old truck.

The long-range needs of the Sussex Fire Department were identified in 2007. That needs analysis estimates the Sussex Fire Department will require \$915,000 in funding for replacement of fire and ambulance vehicles from 2009 - 2020. The discussions held with Sussex Fire Department personnel have

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indicated that, in the past, the purchase of fire or ambulance vehicles has sometimes been left to the Department. While the Borough desires to help out with these purchases, the financial situation of the municipality sometimes prevents them from being able to offer that assistance. It is extremely unlikely that the Sussex Fire Department shall be able to withstand the financial impact of having to pay for their own vehicle replacements over the next ten to twelve years.

In 2003, Wantage Township and Sussex Borough worked together to jointly purchase a Ladder Truck for the Sussex Fire Department.

Efforts in 2007, to create a contractual arrangement between the two municipalities that would meet the long range vehicle replacement needs of both towns were ultimately unsuccessful. However, the dialogue from these meetings was very beneficial, and has led to an extremely productive working relationship between Wantage Fire Department and Sussex Fire Department.

OPTIONS FOR A CONSOLIDATED FIRE AND RESUE DEPARTMENTS

Below are several options to be considered by a future governing body should consolidation occur. When weighing the options the following concerns of the fire and rescue departments should be given a priority. The autonomy of each department needs to be maintained as much as possible. If all departments were merged the line of officers could be greatly affected. This would create a situation where it could take much longer than it currently takes a recruit to ascend to chief. The Length of Service Awards Programs need to be addressed to maintain continuity. Maintaining the "status quo" where possible for each department is essential.

OPTION ONE- FIRE DEPARTMENTS

The Beemerville Fire Company, Colesville Fire Company, and Sussex Fire Department to agree that they would become a unified Fire Department, created by Ordinance of the new municipality, to serve the needs of that new town.

This would be the most logical course to take. The same structure for each department could be maintained by creating a Beemerville District, Colesville District and Sussex District. Each district would have their respective chiefs. The districts could be delineated by the current 911 service areas.

RESCUE SQUADS

The Rescue Squads could be structured in the same manner as the Fire departments with their own captains. The current services areas could be maintained.

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OPTION TWO

If the fire departments are not prepared to become part of a unified municipal fire department, then another alternative would be for the newly consolidated town's governing body to enter into a series of contracts with the various fire departments and ambulance squad - much as Wantage Township currently does - to provide the assurance of on going response to firematic needs and first aid calls. Such an arrangement, however, would prove problematic when dealing with the issue of paying for vehicle replacements. Wantage does not currently pay for the cost of any vehicle replacements in Unionville, limiting its contractual arrangement to first response service in a sector of the town. Creating an alternate arrangement for Sussex FD, in which the town contracts for first response service and pays for vehicle replacements, may lead to issues of equity in contractual arrangements.

OPTION THREE

It would be prudent to consider creating a special service district within the newly-merged town, comprised of the current Sussex Borough households. This special service district could be identified as the primary service area for the Sussex Fire Department/First Aid Squad, and the households could be assessed a special tax equal to the current budget contribution given by the Sussex Borough budget. In this way, the primary service area of the Sussex FD would be preserved; the amount of funding they receive as municipal donations would continue to be paid by that section of town that enjoys their primary response activity, and the current "first response" agreements between Sussex FD and Wantage Township could be incorporated into the newly merged town.

This, then would be a viable justification to use in order to help pay for the vehicle replacement needs of Sussex FD but not Unionville - our special district arrangement for primary service would dictate the need as well as the rationale for doing so.

TRANSITIONAL FUNDS

Based on the information contained in this report there is an apparent disparity in the funding for equipment for the departments between Sussex Borough and Wantage Township. A merged community would incur increased costs in their long term equipment needs. Assistance from the State of New Jersey in the form of a one-time grant to help defray the vehicle replacement needs of the newly-merged town would be required to offset these increased costs. Requesting the State for \$500,000 to be provided to the new town in 2010 would pay for a new Sussex ambulance, a new Wantage ambulance, and help defray half the cost of a new Fire vehicle. Thereby eliminating this disparity and eliminating a possible "roadblock" to consolidation.

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POTENTIAL COST SAVINGS

There were several potential cost savings measures that were discussed during the meetings . There could be an economy of size savings for all purchases of equipment if purchased in concert. This would require coordination between the departments regarding timing of purchases and brands of equipment purchased. Hose and ladder testing presents another possibility of savings for the departments. This would require coordination of the inspections between the departments. These are potential cost savings if consolidation occurs or not.

Summary of Status of Council on Affordable Housing (COAH) Rule Compliance

Appendix G

Overview of Council on Affordable Housing

In 1985, the Legislature through the Fair Housing Act created the Council on Affordable Housing as a method of assisting and encouraging municipalities to permit and actually develop low and moderate income housing. It followed Supreme Court decisions resulting from the Burlington County NAACP vs. Township of Mount Laurel. Housing units dedicated for the benefit of low and moderate income residents began to be called "Mount Laurel units."

Over the years the Council has utilized various methods to allocate responsibility for provision of housing for these income groups. Most recently the Council developed a "growth share formula" (2004). This formula was based on the concept that requirements for housing should be based upon the probably and actual development and growth within a municipality.

COAH has been through various rounds and provided allocations over the years. In some cases municipalities carry over unsatisfied obligations to provide housing from Rounds 1 and 2. Round 3 is the current round and covers the years 2004 through 2018. The original regulations, first proposed by COAH about 4 years ago, were challenged by housing advocates. As the result of these challenges, the Courts found COAH's Round 3 regulations wanting and required the State of New Jersey to conduct a study to determine appropriate target levels for low and moderate income housing obligations. As the result of this study, conducted by researchers from Rutgers University and the University of Pennsylvania, COAH adopted new rules in June of this year and subsequently issued new rules that are currently under review.

On 10 March 2008, the League of Municipalities commented on the new regulations that were eventually adopted in June 2008:

These impacts are created by dramatically increasing the growth share obligations, making compliance mechanisms more restrictive, and increasing the cost of those compliance mechanisms without a commensurate funding source to cover the increase. In many municipalities, the projected obligation has quadrupled as a result of more aggressive ratios and development projections, resulting in a doubling of the statewide affordable housing need. Based upon the subsidy needed to create an affordable housing unit, as determined in the regulations, together with the statewide need established, the total cost of satisfying the proposed program is nearly \$19 billion. The financial obligation to satisfy the need is being placed solely on builders and municipal property taxpayers.

COAH Regulations

COAH determined a statewide need for low and moderate income housing. They then determined the amount of open space that was available at the time of the study. Based on an undisclosed formula, COAH's researchers allocated housing obligations among municipalities in the State utilizing a method called "growth share." COAH described it on 1 October 2008 as follows:

Growth share is a way to measure a municipality's affordable housing needs based on actual growth that takes place. Under growth share, one unit among every five housing units created in a municipality must be affordable; one affordable housing unit must be provided for every 16 jobs created in a municipality, measured by new commercial development. A municipality zones to accommodate affordable housing among market rate development. But keep in mind that a municipality is only responsible for building affordable housing when they have built market rate housing and commercial development. If neither market rate units nor commercial development are built, affordable units do not have to be built, because no growth has taken place.

Commenting on the methodology, the League stated on 15 August 2008:

The citizens of our State deserve no less-particularly where, as here, the economic impacts are profound. In this regard, COAH's own regulations provide that the average costs needed to subsidize affordable units are \$161,000 per unit. Thus, an 115,000 unit statewide need represents a substantial economic burden even if municipalities could reduce the subsidy through reliance on less expensive compliance techniques. Moreover, the elimination of RCAs and the inefficiencies of inclusionary zoning – inefficiencies magnified by COAH regulations – have forced municipalities to dramatically increase their reliance on "municipally sponsored projects". Therefore, as difficult as it was before for municipalities to secure adequate financing for municipally sponsored projects, it will be far more difficult now. Indeed, municipalities will have to dramatically increase their funding for municipally sponsored projects. Instead of providing any analysis of the obvious ramifications to its regulations, COAH asserts that the regulations will have "a positive economic impact on municipalities..." If COAH is to make such statements, it needs to provide the analysis that supports it.

COAH has not provided all the facts municipalities need to replicate the means by which COAH extrapolated their fair share responsibilities. When COAH first proposed the growth share approach in 2003 and 2004, it acknowledged that its fair share regulations in the first and second housing cycles were unintelligible to the public generally and that it needed to provide a readily understandable way for municipalities to ascertain their fair share responsibilities. Yet, when COAH proposed new regulations, it failed to provide the facts municipalities needed to determine their fair share obligations. COAH has now posted on its web site information it used to determine municipal fair shares. However, even after this

posting, planners are reporting to us that they still cannot replicate how COAH determined the fair share of municipalities.

It is unreasonable for the agency to adopt a regulatory scheme that cannot be re-created or explained by other experts in the field. It is incumbent for the agency to provide to local governments a clear explanation as to how this methodology was developed and utilized.

Sussex Obligation and Performance

Ken Nelson, P.P. is the professional planner for the Borough of Sussex. He is presently engaged in performing a reconnaissance review of the current conditions in the Borough in anticipation of the preparation of a new Master Plan. He is also working to satisfy the Borough's obligation to provide an affordable housing plan to COAH not later than 31 December 2008. Part of the work is to understand the status of the Borough relative to COAH requirements. His current assessment of the status of the Borough is as follows:

1. The Borough has no first and second round carry over obligation to provide low and moderate income housing units.
2. However, the borough does have an obligation to rehabilitate 35 housing units. To provide these the Borough was successful in acquiring a Small Cities Block Grant of \$200,000 to fund the rehabilitation of fifteen (15) housing units "occupied by low and moderate households in Sussex Borough in Sussex County." The term during which this project was to be pursued runs from 1 April 2008 through 30 September 2009.
3. To accomplish the objectives of the grant, the Borough has entered into a contract with a non-profit housing agency, NORWESCAP to carry out this work.
4. Prior to the adoption of the law that prohibits Regional Contribution Agreements (RCA), the Borough partnered with the Township of Green to provide eleven (11) housing units in exchange for the payment of \$35,000 per unit or \$385,000. According to the agreement of August 2006, the Borough shall provide affordable housing for low and moderate income residents of the region through the use of these funds and thereby meet a portion of the Borough's obligation. Payments were to be made to the Borough over a four (4) year period. Recently, COAH has determined that they never approved of the RCA and so has declared it null and void.
5. Under the third round rules, Sussex Borough was assigned a growth in jobs between 2004 and 2018 of 203. As of 20 October, this amount has now been revised to 145 added jobs. At one housing unit for every 16 jobs this will mean that the Borough will be responsible to assure the construction of about 9.06 additional affordable units of housing, should the growth occur.
6. According to the same analysis, the State had projected that 50 new market rate units would be constructed. As of 20 October this has been revised to 57 new market rate housing units to be constructed during this same period within the Borough. This would require the Borough to assure the construction of about 11 additional affordable housing units should the growth occur.
7. This then means that Sussex total obligation during the period of 2004 through 2018, or over the next 10 years, is

- a. 35 carry over rehabilitation of affordable housing units of which 15 should be satisfied by the Small Cities Block Grant Program
- b. 9 affordable housing units due to projected added housing development (residential growth share)
- c. 11 affordable housing units due to projected added employment (non-residential growth share)
- d. Total affordable housing unit obligation of 55 units, of which 15 should be offset with planned activity for a net obligation of 40 units.

Wantage Obligation and Performance

David Troast, P.P. serves as the professional planner for Wantage Township. As part of his duties as Township Planner, the Township has engaged him to prepare a housing element to the master plan which will include an affordable housing plan. In the event that COAH regains jurisdiction, the plan would then be submitted to COAH for their approval.

In 2005 Wantage completed the Housing Element of their master plan. On the eve of the submission of the affordable housing plan to COAH for approval, a developer, CJS, filed a builder's remedy appeal in Superior Court in December 2005. The Assignment Judge for the Morris-Sussex County Vicinage took jurisdiction of the matter and it has been under the Court's jurisdiction since then. The Court has not appointed a Master to oversee Wantage compliance. Wantage applied to the Court to permit the Township to go before COAH for an approval of its plan.

Wantage has been approving land development applications and pursuing the 2005 Housing Element since the CJS suit went before Superior Court. Recently the Township and the developer have reached an agreement that the Township will not stand in the way of the developer seeking required state and other approval to pursue the intended development. This action by the Township could result in a consent order being granted by the Court. This would then mean that the developer would withdraw the builders remedy suit. Until the Court makes a determination, it is not clear if the Wantage will be placed under COAH jurisdiction or remains with the Court.

The Township intends to consider a growth share ordinance at such time as jurisdiction passes to COAH.

According to his most recent analysis of the 3rd Round rules, Mr. Troast comes to the following conclusions:

1. Wantage Township's projected affordable housing obligation:
 - a. Carryover from Rounds #1 and #2 – 35 affordable housing units (Appendix F)
 - b. Residential growth share obligation 187.6 affordable housing units derived from a projected construction of 938 units between 2004 and 2018 with the requirement to build 1 unit of affordable housing for every 5 units of market rate housing. While the new regulation would permit Wantage to reduce their third round obligation by the number of units

- constructed to satisfy round 1 and 2 carryover obligations, this is not used for the purposes of this analysis.
- c. Non-residential growth share obligation of 31.19 affordable housings units derived from a projection of 499 new jobs for which one housing unit must be supplied for every 16 jobs.
 - d. This then means that Wantage total obligation during the period of 2004 through 2018, or over the next 10 years, is
 - i. 35 carry over affordable housing units
 - ii. 187.6 affordable housing units due to projected added housing development (residential growth share)
 - iii. 31.19 affordable housing units due to projected added employment (non-residential growth share)
 - iv. Total affordable housing unit obligation of 253.79 units.
2. Wantage Township has satisfied some of these requirements as the result of units already approved and/or constructed:
 - a. Carryover from Rounds #1 and #2 – 35 affordable housing units
 - b. Actual residential obligation of 67.5 affordable housing units due to actual development between January 2004 and June 2008.
 - c. Actual non-residential growth obligation of 9.22 affordable housing units for the same period
 3. Actual satisfaction of the total obligation of 111.72 affordable housing units for the period of January 2004 through June 2008. This means that in the remaining 10 years under this round the Township must produce only 142 more units.

Mr. Troast concludes that “The projected number is what Wantage needs to plan for and the actual growth is what Wantage needs to implement through agreements and approvals Based on my initial calculation [the township] will meet the obligation with some to spare.” By this he means that the Township is well on its way to satisfying the imposed obligation and should do so within the imposed timeframes, subject to the growth occurring as projected.

Perspective of COAH

There are a couple of issues of interest to the Council on Affordable Housing.

Jurisdiction

The municipalities as separate entities are currently under the jurisdiction of different parties. Wantage remains under the jurisdiction of the Courts as the result of the “builders remedy” law suit brought by the developer, CJS. Sussex Borough is under the jurisdiction of COAH and is required to provide the agency with an affordable housing plan by 31 December 2008 or be faced with the possibility of a “builders remedy” lawsuit.

Under a consolidation in which the municipalities would become a single corporate entity, it would depend on the conditions at the time of the consolidation. Even though

it is reported that the Township and the developer have reached an agreement regarding the lawsuit and will settle, the Courts could maintain jurisdiction. If the Courts continued to maintain jurisdiction over Wantage, it is unlikely that the Courts would transfer jurisdiction of the consolidated municipality to COAH. For some time the new municipality might be under dual jurisdiction of both the Courts for the inherited obligations of the Township and be under COAH for the maintenance of the affordable housing plan under which the Borough would operate.

Obligations of a Consolidated Municipality

COAH has only had one experience with managing affordable housing obligations for a consolidated municipality. When Parrahy and Hardwick Townships in Warren County merged during the last decade, COAH was responsible for adjusting the obligations for the two municipalities. In that case however, it was not a merger of equals but effectively absorption of one municipality by the other. Effectively Hardwick modified its boundaries to include Parrahy and retained the name Hardwick. In this case, COAH simply added the obligations of the two municipalities together to form the new obligation for Hardwick Township.

According to the Supervising Planner at COAH for this region, Sean Thompson, at this point in time he would see the same thing happening if Sussex and Wantage were to consolidate. The obligations of each would be added together to form the obligation of the newly consolidated municipality. COAH's chief counsel, Melissa Orsen, Esquire, concurs.

Conclusion

If a consolidation were to take place, the new consolidated municipality would have the following obligations:

- Total Residential and Non-Residential Growth Share: $35 + 197 + 42 = 274$ affordable housing units plus 35 rehabilitation units, composed of the following:
 - 35 carry over rehabilitation of affordable housing units of which 15 should be satisfied by the Small Cities Block Grant Program (from Sussex Borough)
 - Wantage carryover from Rounds #1 and #2 - 35 affordable housing units
 - Residential Growth Share:
 - 9 affordable housing units (Sussex) plus 188 (Wantage) for a total of 197 affordable housing units.
 - Non-Residential Growth Share:
 - 11 affordable housing units (Sussex) plus 31 (Wantage) for a total of 42 affordable housing units

Acknowledgement

Appreciation is expressed to the following parties for providing assistance in producing this report:

- Kenneth Nelson, Planner for Sussex Borough
- David Troast, Planner for Wantage Township
- Melissa Orsen, Chief Counsel to the Council on Affordable Housing
- Sean Thompson, Supervising Planner for COAH
- Cathy Gleason, Sussex Borough Clerk
- James Doherty, Wantage Township Administrator/Clerk

Overview of Borough of Sussex Water and Sewer Utility

Appendix H

Preface

During the initial deliberations of the Consolidation Study Commission, it was clearly stated that there was a concern about the status of the utility. Questions arose about the physical and financial condition of the Utility, the responsibility for it should a consolidation occur and the ability to provide utility extensions along with the concern of mandatory hook ups. This report attempts to address these issues from a layman's perspective to assist the Commission in their deliberations.

Summary of conclusions and recommendations

Analysis of the utilities' current and potential situations shows that, as with older infrastructure everywhere, there are conditions and issues that need to be dealt with. Infiltration and inflow (I&I) of storm water and groundwater into the wastewater system is an issue with broad effects.

Overall, however, the utilities are a great potential asset to a consolidated community. They promise to provide an economic-development and land-planning tool for a consolidated municipality that would not be available either to Sussex or to Wantage as individual municipalities.

Sussex is physically too small to provide the development opportunities offered by the utilities. Wantage would have no right to the excess capacity, and Sussex would have little incentive to sell such a valuable resource.

But together they could use this tool for the overall community good.

Introduction

Since the early part of the last century, residents of the Borough of Sussex have enjoyed the services of a public water and public sewer system. Through the years, the system has expanded, deteriorated and been repaired and improved. The system currently meets all regulatory standards and is self-liquidating.

The information below has been obtained through interview and submission of supporting documentation by the following persons:

- Catherine Gleason, Sussex Borough Clerk
- Jeffery Card, Sussex Borough Public Works Director
- David Kirkham, Water Treatment Plant Operator
- Michael Simone, P.E., Crew Engineering
- John Hatzelis, Administrator, Sussex County Municipal Utilities Authority
- Grant Rome, CFO, Borough of Sussex

The Borough's systems have the following customer base as of the summer of 2008:

Location of Customers:	Sussex	Wantage	Hardyston	Total
Water	617	115	0	732
Sewer*	612	2	1	615

* Sewer customers outside of Sussex include the A&P Shopping Center and Veterinarian's office in Wantage and the Bins and Bays Storage facility in Hardyston, located adjacent to the Upper Wallkill Wastewater Treatment Plant

On 10 June 2004, the Township and the Borough entered into an amended agreement regarding the water and sewer utility. The original interlocal service agreement (ILSA) was dated 19 December 2000. The agreement states that the Borough and the Township wish to "continue and confirm arrangements with regard to water/sewer services provided to Wantage customers." The agreement goes on to call for the Borough billing customers directly for services provided. It also calls for the Borough to "continue to supply water and sewer service to Wantage properties currently serviced and new customers based on available capacity." Rates charged to Wantage customers shall be the same as rates charged to Sussex customers. The municipalities cooperated in the collection of delinquent accounts through the tax title lien process. Wantage will process these for Sussex for properties located within the Township.

On 15 March 2000, the Township and United Properties Group of Sussex entered into an agreement. Under this agreement, the Township would purchase 10,000 gallons per day of effluent treatment capacity with the SCMUA facility. The capacity was acquired from the Borough of Franklin and assigned to the A&P Shopping center. This effectively increases the permitted flow from the Sussex pumping station. In addition, it provides the right to United Properties Group of Sussex to purchase water from the Borough also, depending on the business need.

Water Treatment and Distribution System

Surface Water Source and Available Water

Surface water from Lake Rutherford, located on the lands of Highpoint State Park, serves as the source of water for the system. Waters flow by gravity from the Lake to the Colesville Reservoir located just south of Route 23 in Wantage. It then flows to the Sussex Borough Water Treatment Plant, located on Route 23 just northwest of the Wantage Municipal Center. A pipe, 12 inches in diameter transmits the water from the 300,000-gallon water tank located behind the treatment plant to the Borough of Sussex.

As the transmission line travels down the mountain, the line generally follows the course of Clove Brook. Along the route, various Wantage businesses and residences have tapped into the line for treated potable water. Some of these users include the Clove Hill Manor housing development, Township of Wantage Municipal Center, and the Sussex Wantage Elementary School. The transmission pipe ends up filling the 500,000-gallon storage tank west of Route 284 near Harrison Street in the Borough.

While the rated capacity of the Water Treatment Plant is about 600,000 gallons per day, with modifications to various elements of the Plant, it could produce upwards of 1.1 MGD (million gallons per day). However, the Borough's surface water diversion rights under permits issued by the New Jersey Department of Environmental Protection limits the facility to an average allocation of 451,000 gallons per day, with a single day withdrawal not to exceed 700,000 gallons per day. (Safe yield analysis report in 2007 stated that the "...the Water Allocation Permit limits water diversion from Lake Rutherford to ... 0.65 MD/day... [and the] plant processes approximately 0.3 to 0.5 MG/day." p.1). With modifications to the equipment and facilities used for withdrawal, it is possible that NJDEP could increase the average daily allocation and the withdrawal maximum. Under current circumstances, this is not necessary as the average production generally does not exceed 200,000 and typically is closer to 150,000 gallons per day.

To summarize the above:

Category	Current Use	Potential Use
▪ Water Treatment Plant Capacity	0.600 MGD	1.1 MGD
▪ NJDEP Water Allocation Permit		
○ Average Daily Withdrawal	0.451 MGD	
○ Single Day Maximum Withdrawal	0.700 MGD	
▪ Safe Yield Analysis;		
○ Diversion from Lake Rutherford	0.650 MGD	
▪ Current Use – Average Daily Usage	0.150 MGD to 0.200 MGD	

(MGD = million gallons per day)

Operation of the Water System

The Borough has a contract with United Water Company (successor to Earth Tech) to provide all necessary operator licenses for both the water and sewer system and to operate the Water Treatment Plant. Borough employees are responsible for reading meters, preparing utility bills, collecting utility payments, managing the distribution system and providing necessary monies to make capital improvements to the system's elements.

Condition of the Water System

The Borough's public water system consists of the following elements:

- Water Source – Lake Rutherford
- Reservoir – Colesville
- Water Treatment Plant
- Storage Capacity – in line 300,000 and 500,000 gallon water tanks.
- Main transmission line – 12 inches
- Distribution System – water mains, fire hydrants, meters, etc.

The Water Treatment Plant was constructed in 1995 to bring the system into compliance with Clean Water regulations of NJDEP, the US Environmental Protection Agency (EPA), and health authorities.

Sewerage Collection and Treatment System

Sewerage Collection System

The Borough's sewerage collection system serves all but a few properties within the Borough. With a planned relocation of a sewer main in the Harrison Street area, four properties currently on individual sewage disposal systems within the Borough will be connected to the Borough's system. Collection lines under the Borough's jurisdiction are about 35,000 linear feet in length. This excludes lateral connections that serve individual properties that are owned by and the responsibility of the property owner.

Because of the terrain, the entire system has been designed to flow by gravity. The only pumping station operated and maintained by the Borough is the main station adjacent to the former treatment plant on Brookside Avenue within the Borough.

Two private property owners operate and are responsible for pumping stations that deliver effluent to the Borough's system. Alpine Village, a garden apartment development of approximately 110 dwelling units is located within the Borough. Based on the standard calculation of 250 gallons per day per equivalent dwelling unit (EDU), the apartments utilize about 27,500 gallons of capacity.

The owner of the A&P Shopping Center on Route 23 in Wantage has additional capacity from SCMUA of 10,000 gallons, in addition to that of the Borough. The center delivers its effluent via an on-site pumping station under its own operational control and responsibility via a force main to a collection main operated by the Borough, which then travels by gravity to the Borough's main pumping station.

The capacity of the main pumping station is about 1.1 million gallons per day. Why might this be necessary if the Borough's typical water delivered to the system is about 150,000 to 200,000 gallons per day and the maximum average daily flow permitted to SCMUA is 464,000 gallon per day? The answer is Inflow and Infiltration or "I&I." An old collection system often permits water from outside the system to enter. This infiltration and inflow requires repair of the system by lining current collection lines and/or replacing old collection lines.

When heavy rains and/or snowmelts occur, storm water and groundwater from roof drains, sump pumps, and storm sewers connected to the system, seepage through manhole covers, cracks in the lines, etc, all increase the flow. This flow can actually exceed the capacity of the pumping station. When this occurs, the pumping station will overflow. The effluent, including the I&I, will then flow into Clove Brook adjacent to the pumping station and the force main. When such an event occurs, the DPW

superintendent must report to NJDEP, which at times results in an investigation by that agency.

The Borough is well aware of the I&I problems with the system as is SCMUA. Under the direction of the Borough's Engineer, Crew Engineering, the Borough is in an ongoing Sewerage System Evaluation Survey (SSES) to identify and correct the sources of I&I. Currently approximately 5 meters are placed in the system identifying flows during dry and wet periods. Incrementally these meters are moved up the collection system to determine the causes of I&I. When a cause for the I&I is found, corrective actions can be taken.

Previously smoke tests were conducted and permitted some corrections. According to John Hatzelis, Administrator of the Sussex County Municipal Utilities Authority (SCMUA), the Borough has been showing progress in addressing this problem. As the Borough reduces the I&I, greater capacity is gained both in the pumping station and in the treatment capacity allocation from SCMUA. This will permit:

- Connection of additional users that will result in collection of connection fees
- Greater flows for which the Borough may charge rents
- Potential economic development opportunities for ratable growth within the municipality
- Stabilization of rates for existing customers.

Sewage Treatment

Until about 1994, the Borough collected and treated its own sewage. Effluent from the plant was deposited in Clove Brook adjacent to the former plant located on Brookside Avenue. NJDEP issued an Administrative Consent Order directing the Borough to either build a new treatment plant or identify another viable alternative. On 17 August 1992, the Borough and SCMUA entered into an agreement in which the Borough would build a pumping station adjacent to the former treatment plant and construct a force main generally along the Route 23 and Route 94 rights of way to deliver the Borough's sewage to the Upper Wallkill Wastewater Treatment Plant for treatment and discharge. (See Appendix A – 1992 Service Contract between SCMUA and the Borough of Sussex)

The agreement calls for the Borough to deliver to the plant an average daily maximum of 464,000 gallon over the course of a month. This has actually been modified to reflect a separate agreement between the Township of Wantage and the Borough of Franklin, from which Wantage acquired an allocation of 10,000 gallons per day of effluent. This is set forth in an agreement entitled "Wantage Township Sewer and Water Agreement with United Properties Group of Sussex." The flow is delivered to SCMUA via the Borough of Sussex force main. Therefore, it is more correct to identify the maximum permitted monthly average daily flow as 474,000 gallons. In order to assure that fixed costs of the SCMUA treatment facility are covered, the agreement also calls for a minimum flow of 312,000 gallons.

In 2001 the Borough of Sussex entered into an agreement with a Hardyston developer. The name of the development is "High Ridge." The developer purchased 25,000 gallon per day of effluent treatment capacity from the Borough. The developer paid the Borough about \$12.50 per gallon for the capacity and has paid something toward the carrying costs of the reserved capacity. There is a dispute between the Borough and the developer regarding the legitimacy of the payments. Since the time of the original agreement, the parties have been in the process of renegotiating the terms and conditions, or seeking clarification of the meaning of the original agreement. No connection has been made to the system nor has any effluent flowed through the system.

Nevertheless, the Borough has sold capacity. The Borough's current available capacity might be described as:

- Original capacity from the 1992 agreement 464,000 gallons per day
- Added capacity from 2001 Wantage Agreement - A&P Develop 10,000 gallons per day
- Reduced by sale to 2001 High Ridge Development 25,000 gallons per day
- Current capacity under control of the Borough 449,000 gallons per day

From December 2007 through August 2008, monthly average daily flows have ranged from 546,000 gallons in March to 152,000 gallons in July. When flows exceed the maximum permitted flow, the Borough is surcharged for the excess flow at twice the rate for normal flows within the maximum of 474,000 gallons. When monthly average daily flows fall short of the minimum, the Borough is charged the minimum as stated above. In this way, SCMUA is able to collect sufficient funds to meet its fixed costs. The average monthly average daily flow for the first 9 months of the current fiscal year is 285,444 gallons, an amount below the minimum billed amount.

Annual average daily flows from Sussex Borough over the past few years are as follows according to the records of the SCMUA:

Year	Flow
• 1997	258,000
• 1998	307,000
• 1999	280,000
• 2000	372,000
• 2001	295,000
• 2002	280,000
• 2003	410,000
• 2004	370,000
• 2005	353,000
• 2006	324,000
• 2007	253,000

From a high flow in 2003, the Borough's sewerage flows have been steadily decreasing. The flow in 2007 was the lowest flow since the start of the program. While much of the reduction could be attributable to reduced rainfall, it does appear that the Borough is making progress reducing Inflow and Infiltration.

Utility Operations, Budgeting and Staffing

The Borough manages these municipal services as a combined self-liquidating utility. What does this mean? The Borough sets apart the operations of the Utility separate from the remainder of municipal services such as land use administration, municipal court, clerk-administrator functions, public works, etc. In Calendar Year 2008, the Current Fund budget (all operations other than the utility) is \$1,818,167 while the Water and Sewer Utility budget is \$1,543,104.

Operationally, however, it is hard to draw a clear distinctive line between public works operations and utility maintenance functions performed by the same personnel. Likewise, it is difficult to segregate the tax collection functions from the utility collection functions especially when the collection dates are the same.

Salaries and Wages

The budget has been constructed by allocating time based on broad measures between the current and utility funds. The following allocations are used for budgeting purposes and have been offered by the CFO. In order to develop a truly accurate understanding of how much actual time is contributed to each fund, a time and motion study over at least a couple of seasons would be needed.

	Current Fund	Water and Sewer Utility
Operations:		
DPW Staff (5 f/t)	75%	25%
Administration and Finance:		
Clerk (1 f/t)	75%	25%
Deputy Clerk/Dep Treasurer (1 f/t)	75%	25%
CFO (p/t)	50%	50%
Collector' staff:		
Collector (p/t)	50%	50%
Cashier (f/t)	50%	50%
Total staffing 8 f/t and 2 p/t personnel		

Salary and Wage budgetary allocations for the Utility have been as follows over the years:

Year	2005	2006	2007	2008
S&W Allocation	\$130,000	\$143,000	\$84,000	\$103,117

Prior to 2006, the Borough allocated 50% of public works salary and wage costs to each of the funds. In the 2007 budget, the allocation was changed to that noted above. In addition, the Borough utilized the services of a consulting firm to provide clerk-administrator duties in 2007. These costs would have been paid from Other Expenses rather than salaries and wages.

Other Expenses

Many, though not all, other-expense costs are easily attributable to the utility. For example, the contracts with Earth Tech for treatment plant operators (now United Water) and with SCMUA for wastewater treatment are easily assigned to the utility. The property tax paid by the Borough to the Township for the land the Utility utilizes for water supply and treatment is also easily attributable to the Utility. However, auditing fees and several others must be estimates of the actual costs as is the allocation of staff time identified above. Currently, the utility operationally is integrated into the operations of the Borough government.

Debt Service

For the past two years, debt service for the Utility has been as follows:

Category of Debt Service	2007	2008
Payment of Bond Principal	60,000	60,000
Interest on Bonds	55,566	53,415
FHA Principal Payment	116,211	121,659
FHA Interest Payment	276,364	300,209
Total Debt Service	508,141	535,283

According to the information obtained from the Borough’s chief financial officer, debt service drops gradually and regularly from its current high to the following periodic amounts:

2009	\$ 498,159
2015	\$ 483,589
2020	\$ 470,224
2025	\$ 375,368
2037	\$ 79,400

For a more detailed review of the debt service, see Appendix B, “Borough of Sussex Water and Sewer Utility, Debt Service Summary.”

Financial Condition of the Utility

Even under current conditions of the utility, incoming revenues are sufficient to offset expenses including debt service. The Utility meets the requirements of being self-liquidating and does not require the Borough to raise funds through a tax increase to fund a deficit in the utility. In addition, the debt service is gradually decreasing as each year passes. Lastly, the flows in the sewerage system are at an annual all time low. All of this data suggests that the Utility is in a positive position to serve as an asset of the Borough and of the region.

Capital Improvements

As with any capital investment, it is necessary to constantly maintain the various elements of the investment if it is to continue to provide service and therefore positive

cash flow and income. The Borough's Water and Sewer Utility is no different. Its need is greater however because of the requirement to stay ahead of the ongoing deterioration of an older system. The Sewerage System Evaluation Survey mentioned above is one aspect of this. The findings from this investigation will permit the reduction of I&I and thereby free up capacity. The additional capacity will permit the Utility to sell this to property owners for correction of failed individual sewerage disposal systems or for economic development. Either end purpose will provide connection fees and ongoing service fees to support the utility. Staff identified a number of additional improvements that must be addressed during the following years. These include:

Project	Estimated Cost
▪ Installation of Harrison Street Sewer main (planned 2009)	\$300,000
▪ Replacement of water main in Hamburg Avenue	\$400,000
▪ Replacement of sewer main in Grove Street	\$115,000
▪ Hydrant replacement and upgrade (\$9,000 per year)	\$ 90,000
▪ Valve replacement and upgrades (\$5,000 per year)	\$ 50,000
▪ Total meter replacement in 2015	\$400,000
▪ I&I control project: main, manhole and lateral rehabilitation	unknown*
▪ Sewer Force Main future replacement	unknown**
▪ Dredging Colesville Reservoir, and/or	
▪ Water Main construction from Lake Rutherford to Colesville Reservoir	unknown^
▪ Dam maintenance for Lake Rutherford and Colesville Reservoir	unknown^^

*Metering and measuring has been underway. Within the next 6-12 months the Engineer will be able to design the improvement work and estimate the costs.

**The force main is gradually corroding. It requires upwards of \$100,000 per year to repair. Replacement of the force main is a long term item.

^The purpose of this is to reduce turbidity in the incoming water to the treatment plant. Long term project

^^The Borough has submitted material to NJDEP for potential grant to rehabilitate the dams.

In addition, the Borough prepared a Capital Improvement Program for the years 2008 through 2013 as is required by the Division of Local Government Services in the Department of Community Affairs. However, the capital program neither includes any of the projects listed above nor names any projects. It simply says that \$90,000 will be spent on projects for the Water/Sewer Utility over the next 6 years at the rate of \$15,000 per year. This document, although official, does not provide any understanding of the Borough's intentions regarding maintaining and improving the utility.

Future Opportunities

In Sussex County, with the imposition of NJDEP clean stream (C-1) regulations which severely restrict development in Sussex County, the availability of public water and sewer services can prove to be a major economic development tool. Several land owners, primarily in Wantage, wish to acquire allocation for water and sewer from the Borough. The I&I conditions prevent the Borough from using the potential capacity and allocation available in the system.

Even more important is the impact of policy decisions regarding allocation and sale of water and sewer capacity as this relates to regional land development, land use, and

transportation planning policies. Allocation of utility capacity can be an important and decisive tool for implementing the master plan, including redevelopment, housing and community-facility elements.

These decisions should not be made as individual decisions but as elements of an overall strategy to realize a vision for the region. Depending upon who acquires potential available capacity, land development and associated conditions could help realize a well vetted vision of the region or result in replications of bad land use and land development decisions abundantly evident elsewhere in New Jersey.

It is critically important that strategies and decisions regarding utility availability be discussed in the context of Waste Water Service Area (or Section 208) planning and the master plan(s) of the community. In the event of a future consolidation of the Borough and the Township, the decision regarding this and other critical issues would be made in the context of a government having a greater regional orientation and regional focus of interest.

Rates and Fee Structure

Currently, the Borough has adopted an ordinance that sets forth connection or tapping fees for connection to the water and sewer systems.

Ordinance No. 2007-02 adopted 3 April 2007 provides for connection fees ranging from a 3/4-inch connection for \$3,000 to an 8 inches connection for \$7,500. It should be noted that connection fees should be dedicated to capital improvements to the utility and not to fund operating expenses. The connection fee under the law is actually a payment to offset the costs paid by prior users of the system to build and improve the system.

The best way to reimburse the prior users of the system is to use the monies to continually improve the system for all users. From the budget material obtained so far, it appears that these connection fees are actually being utilized not to fund capital outlay or the capital improvement fund but rather to pay annual operating expenses. This is not a productive use of these funds. While this might not be very important today with few connections, if opportunities for expansion are pursued and added customer connections occur, the policy for the use of these funds would be of significance to the ongoing improvement of the systems.

Water and sewer rates are based on consumption of water. Within the past five years, all water meters have been replaced to assure more accurate readings of water usage. A Utility employee is charged with obtaining radio-read meter readings or where this does not work properly, obtaining a manual reading of meters. This is a quarterly process.

Rate for service are as follows:

Rate of Usage	Fees	
	Water	Sewer
0 to 10,000 gallons per quarter	\$100.00	\$150.00
for each addition 1000 gallons or portion thereof	\$ 10.25	\$ 16.25

System Expansion

According to SCMUA, one property owner near the sewer service line is currently experiencing failure of an individual sewerage disposal system. Typically under this condition, this property would be a high priority for mandatory connection to an available public sewer system to eliminate the environmental hazard. In a case such as this, if available capacity exists in the system, a hook up should be required and accommodated by the Utility.

The ordinance controlling the sewer and water system of a consolidated municipality should address the issue of voluntary and mandatory hook ups. As stated above, this needs to be coordinated with the extant Waste Water Service Area plans. If there are intentions to modify the plan this should be carried out in accordance with the master plan(s) of the community and general development policies of the consolidated municipality. Given the limits of service within both the water system and the sewerage system, expansion should be limited to correction of failures of individual sewage disposal systems and implementation of economic development initiatives for the region.

Mandatory Connections

During the Commission's process of identifying community concerns, the subject of mandatory connections to the water and/or sewer system arose. From the findings set forth above, this does not appear to be a matter about which residents should be concerned.

Residents are more likely to be required to connect to the sewer system than the water system. This requirement is typically based on two factors.

The first is the failure of an individual sewerage disposal system, or septic tank. When the tank and drainage field(s) is no longer able to accept the effluent, a property owner might be directed to connect to a public sewerage collection and treatment system. The second factor is the proximity of the collection piping. The mandatory connection only occurs when the collection pipe is within a reasonable distance and capable of accepting the flow. At times such as this, a public sewerage collection system is more often considered a benefit rather than a cost.

However, before the Utility can consider adding even properties in need of service, the I&I problems need to be corrected to permit added flows and the sewer service area needs to be expanded to permit properties that might need the system to connect.

Unless a former potable water well becomes contaminated, there have not generally been requirements around the State to connect to a public water system. Ground water supplies in this region have sometimes been problematic. In some cases, multiple wells

have had to be drilled in order to find sufficient water of satisfactory quality to meet minimum requirements. As shown above, it is clear that surface water supplies from Lake Rutherford are limited, though there is still the ability to increase the amount of water drawn from the lake.

Nevertheless, there is a higher likelihood that additional customers will be gained for the water system from those wishing to connect than from those who would be forced to connect. Those who would wish to connect might include:

- Residents and businesses close to the system's distribution lines who find it more cost effective to connect to publicly treated water than to drill their own well and treat their own water.
- Utilization of the public water as an economic development tool to encourage commercial and/or light industrial development within the community.

Overall, it is extremely unlikely that residents who are remote from the sewer and water systems would ever be required to connect to either one.

Possible Organizational Structures

There are several ways in which the Utility could be established in a consolidated municipality. These include:

- a separate authority with its own governance and management separate from the municipality with a board of directors appointed by the municipality
- incorporated into the municipal operations
- as a self-liquidating utility, managed by the consolidated municipality, meaning that fees charged by the utility support its operations. Property taxes are not used to support the utility nor does the utility replace property taxes.

The last — a self-liquidating utility — is the preferred organizational structure to use in this case. It is recommended for the following reasons:

- The finances are segregated from those of the municipality.
- The costs of the utility are borne by the customers of the utility alone.
- The municipality provides management of the utility and charges the utility for this service.
- It will be the responsibility of the consolidated municipality to determine the appropriate allocation of staff salaries and wages to support and maintain the utility. The new municipality should conduct a time study over a one-year period to clearly identify the time spent on the utility operations versus other use of time for public works and collections personnel. The allocations in the budget can then be charged accordingly, consistent with the actual use of time.

Conclusions

From the data assemble above the following conclusions can be reached:

1. The water and sewer distribution systems are older and in some cases not functioning properly. For example, the Inflow and Infiltration problem needs to be attacked quickly and decisively. The reduced flow and consequential added capacity will then present the community with opportunities not previously anticipated.
2. The arrangement for treatment with SCMUA provides flexibility to permit the use of the utility system to support future land and economic development.
3. Sufficient extra capacity exists in the water treatment plant, distribution lines and storage tanks to permit addition new customers
4. A comprehensive financial, debt management and capital plan for the utility can retain the self-supporting nature of the utility and achieve economic development objectives in the context of rational and methodical wastewater management planning.
5. Incorporation of the utility into the management of a larger municipality with greater personnel, such as a full time manager or administrator and chief financial officer, and greater financial resources would permit a governing body to implement a rational strategy to maximize the economic development potential in the utility.
6. Currently, along the route of the transmission line the water system serves 16% of its customers that are properties in Wantage Township. Given the capacity of the system, a greater number of voluntary customers could participate.
7. In a consolidated municipality, the Utility would not be required to pay \$7,500 a year in property tax expenses as it would be located in the consolidated municipality.
8. Apparently, prior to this analysis the Hardyston customer (Bins and Bays) utilizing the force main as a discharge point for its sewage had not been paying for service. The Borough has corrected their accounts and is now assuring that the utility is receiving appropriate revenues.
9. Attention should be given by either the current Borough or by the consolidated municipality to confer with the SCMUA to devise a financial and capital plan to utilize excess capacity in the sewerage collection system to generate connection fees, rents and/or transmission fees to
 - resolve a failing septic system within a short distance of a current main
 - incorporate the benefits of the utility as an implementation tool in the master planning process of both the Borough and the Township, or the consolidated municipality
 - begin comprehensive planning, including
 - appropriately planned expansion of the waste water service area ,
 - integrating system improvements,
 - creating a financial plan to systematically improve the collection system and significantly reduce I&I,
 - which will then beget additional capacity to be converted to revenue for further system improvements

Next Steps

The Borough's Water and Sewer Utility, if properly maintained and properly managed, presents a significant resource for the region. In classic land use planning terminology, the utility could serve as a major implementation tool to advance the master plan for the region. However, this would require land use master planning to be shaped with the best interests of the region in mind and not just the best interests of one municipality or the other.

Envision a consolidated municipality with a single land use board clearly representing all of the varied interests of the current Borough and Township. This land use board creates a master plan that foresees balanced, human scale economic growth compatible with the agrarian culture of the larger community. The current densely developed Borough of Sussex serves as the center of this regional community.

The consolidated governing body and land use board create a zoning ordinance that advances the implementation of the master plan and uses the consolidated municipality's capital improvement program to assist in this implementation.

The governing body — representing the variety of interests extant in the community — utilizes the additional water and sewer utility capacity gained from well-managed rehabilitation of the system as a means to achieve the objectives set forth in the master plan.

In a community as conservative, prudent and future-oriented as the Sussex-Wantage community, such a vision is within grasp. All that is needed is a citizenry willing to invest the energy and time to oversee the process and public officials dedicated to the advancement of the commonweal.

Appendix A –

1992 Service Contract between SCMUA and the Borough of Sussex

(See Attachment)

Appendix B –

Borough of Sussex Water and Sewer Utility, Debt Service Summary

(See Next Page)

FINAL

Joint Consolidation Study of Wantage Township and Sussex Borough
 Appendix H: Borough Water and Sewer Utility Page 16 of 16

December 2008

Issue Type	Farmers Home Loan		Water Sewer Bond		USDA Plant Improve		USDA Const Sewer		Total Debt Service			Annual Reduction Debt Serv
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Service	
2009	38446.61	34409.39	45585.00	60000	97600.75	41401.25	129165.9	51550.1	\$ 310,798.26	\$ 187,360.74	\$ 498,159.00	\$ 37,124
2010	36704.64	36151.36	42885.00	60000	95716.74	43285.26	126820.05	53895.95	\$ 302,126.43	\$ 193,332.57	\$ 495,459.00	\$ 2,700
2011	34874.47	37981.53	40185.00	60000	93746.98	45255.02	124367.45	56348.55	\$ 293,173.90	\$ 199,585.10	\$ 492,759.00	\$ 2,700
2012	32951.66	39904.34	37485.00	60000	91687.59	47314.41	121803.23	58912.77	\$ 283,927.48	\$ 206,131.52	\$ 490,059.00	\$ 2,700
2013	30931.50	41924.50	34785.00	60000	89534.59	49467.51	119122.33	61593.67	\$ 274,373.42	\$ 212,985.68	\$ 487,359.10	\$ 2,700
2014	28809.07	44046.93	32085.00	60000	87283.42	51718.58	116319.44	64396.56	\$ 264,496.93	\$ 220,162.07	\$ 484,659.00	\$ 2,700
2015	26579.20	46276.80	31017.50	60000	84929.89	54072.11	113388.99	67327.01	\$ 255,915.58	\$ 227,675.92	\$ 483,591.50	\$ 1,068
2016	24236.44	48619.56	28167.50	60000	82469.28	56532.72	110325.20	70390.8	\$ 245,198.42	\$ 235,543.08	\$ 480,741.50	\$ 2,850
2017	21775.07	51080.93	25317.50	60000	79896.68	59105.32	107121.97	73594.03	\$ 234,111.22	\$ 243,780.28	\$ 477,891.50	\$ 2,850
2018	19189.10	53666.90	22467.50	60000	77207.03	61794.97	103772.98	76943.02	\$ 222,636.61	\$ 252,404.89	\$ 475,041.50	\$ 2,850
2019	16472.21	56383.79	19617.50	60000	74394.97	64607.03	100271.59	80444.41	\$ 210,756.27	\$ 261,435.23	\$ 472,191.50	\$ 2,850
2020	13617.78	59238.22	17650.00	60000	71454.94	67547.06	96610.87	84105.13	\$ 199,333.59	\$ 270,890.41	\$ 470,224.00	\$ 1,968
2021	10618.85	62237.15	14650.00	60000	68381.13	70620.87	92783.56	87932.44	\$ 186,433.54	\$ 280,790.46	\$ 467,224.00	\$ 3,000
2022	7468.09	65387.91	11650.00	60000	65167.44	73834.56	88782.09	91933.91	\$ 173,067.62	\$ 291,156.38	\$ 464,224.00	\$ 3,000
2023	4157.83	68698.17	8650.00	60000	61807.50	83194.50	84598.52	96117.48	\$ 159,213.85	\$ 308,010.15	\$ 467,224.00	\$ (3,000)
2024	785.52	31420.90	5650.00	60000	58294.67	80707.33	80224.57	100491.43	\$ 144,954.76	\$ 272,619.66	\$ 417,574.42	\$ 49,650
2025			2650.00	53000	54621.98	84380.02	75651.59	105064.41	\$ 132,923.57	\$ 242,444.43	\$ 375,368.00	\$ 42,206
2026					50782.17	88219.83	70870.49	109845.51	\$ 121,652.66	\$ 198,065.34	\$ 319,718.00	\$ 55,650
2027					46767.62	92534.38	65871.84	114844.16	\$ 112,639.46	\$ 207,378.54	\$ 320,018.00	\$ (300)
2028					42570.38	96431.62	60645.72	120070.28	\$ 103,216.10	\$ 216,501.90	\$ 319,718.00	\$ 300
2029					38182.13	100819.87	55181.76	125534.24	\$ 93,363.89	\$ 226,354.11	\$ 319,718.00	\$ 300
2030					33594.19	105407.81	49469.18	131246.82	\$ 83,063.37	\$ 236,654.63	\$ 319,718.00	\$ -
2031					28797.48	110204.52	43496.62	137219.38	\$ 72,294.10	\$ 247,423.90	\$ 319,718.00	\$ -
2032					23782.49	115219.51	37252.29	143463.71	\$ 61,034.78	\$ 258,683.22	\$ 319,718.00	\$ -
2033					18539.28	120462.72	30723.78	149992.22	\$ 49,263.06	\$ 270,454.94	\$ 319,718.00	\$ -
2034					13057.48	125944.52	23898.20	156817.8	\$ 36,955.68	\$ 282,762.32	\$ 319,718.00	\$ -
2035					7326.21	131675.79	16762.02	163953.98	\$ 24,088.23	\$ 295,629.77	\$ 319,718.00	\$ -
2036					1432.84	63681.09	9301.08	171414.67	\$ 10,733.92	\$ 235,095.76	\$ 245,829.68	\$ 73,888
2037							1747.19	77652.82	\$ 1,747.19	\$ 77,652.82	\$ 79,400.01	\$ 166,430
TOTAL	347618.04	77748.38	420497.5	1013000	1639027.9	2185440.2	2256350.5	2883097.3				

Source: Sussex Borough CFO 2008 Base of Utility Debt Service = \$585,283

SUSSEX

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Appendix HZ

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AUG 31 1992

SCMUA

1992
SERVICE CONTRACT

between

THE SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

and

THE BOROUGH OF SUSSEX
IN THE COUNTY OF SUSSEX

Dated as of August 17, 1992

SH yibn999A

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THIS AGREEMENT

made and dated as of August 17, 1992

BETWEEN

THE SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY (the "Authority"),
a public body politic and corporate of the State of New Jersey,

AND

THE BOROUGH OF SUSSEX, a municipal corporation of the State of
New Jersey, situate in the County of Sussex, New Jersey (and
hereinafter referred to as the "Borough"),

WITNESSETH

WHEREAS, pursuant to the Municipal and County Utilities
Authorities Law, constituting Chapter 183 of the Pamphlet Laws of
1957, of the State of New Jersey, approved August 22, 1957, as
amended and supplemented (the "Act"), the Authority was created
by virtue of a resolution duly adopted on August 10, 1971, by the
Board of Chosen Freeholders of the County of Sussex, New Jersey
(the "County") and is a public body politic and corporate of the
State of New Jersey organized and existing under the Act
constituting a political subdivision and established as an
instrumentality exercising public and essential governmental
functions to provide for the public health and welfare, with all
necessary or proper powers to acquire, construct, maintain,
operate or improve works for (1) the accumulation, supply or

distribution of water, (ii) the collection, treatment, purification or disposal of sewage or other wastes, (iii) the operation of a septic tank or other "on-site wastewater system" (as defined in the Act), and (iv) the collection, treatment, recycling, and disposal of solid wastes, and to provide for utility services designed to provide or distribute an adequate supply of water for public and private uses and to relieve the lands and waters in, bordering or entering the County from pollution or threatened pollution from domestic, industrial or other sources, including pollution derived from chemical and hazardous wastes, to provide utility services for the collection, disposal and recycling of solid waste, including sewage sludge in an environmentally sound manner and for improvement of conditions affecting the public health and with all the powers, privileges and authority conferred by the Act; and

WHEREAS, in partial fulfillment of its functions, the Authority did design, finance, construct and put in operation an interceptor sewer system and sewage disposal plant for the transmission, treatment and disposal of certain sanitary sewage and other wastes, as generally described in the Wastewater Facilities Plan for the Upper Wallkill Basin, certified by the New Jersey Department of Environmental Protection and Energy ("DEPE") and the United States Environmental Protection Agency (the "EPA"); and

WHEREAS, the Borough has an existing sewage collection system, and has requested and is willing to have sewage

originating from it or within its territory treated and disposed of by the Authority pursuant to the terms of this Agreement, and has duly authorized its proper officials to enter into and execute for it this Agreement; and

WHEREAS, the Authority is willing to expand the capacity of its Upper Wallkill Plant, and upgrade the level of wastewater treatment provided, in order to allow for connection of the Borough's sewage collection and transmission system to the Upper Wallkill System;

NOW, THEREFORE, in consideration of the premises, of the mutual covenants and agreements herein set forth, and of the undertakings of each party to the other, the parties hereto, each binding itself, its successors and assigns, do mutually covenant, promise and agree as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. As used or referred to in this Agreement, unless a different meaning clearly appears from the context:

"Act" means the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957, of the State of New Jersey, approved August 22, 1957, and the acts amendatory thereof and supplemental thereto;

"Agreement" means this Service Contract;

"Annual Charge" shall have the meaning given to such term in Article IV hereof;

"Authority" shall have the meaning hereinabove given to such term;

"District" means the area within the territorial boundaries of all of the municipal corporations of the State of New Jersey situate in the County of Sussex, except (a) any such municipal corporation, the Governing body of which did, prior to the creation of the Authority, create or join in the creation of a sewerage authority pursuant to Section 9 of the Act; and (b) any such municipal corporation, the Governing body of which adopted a resolution withdrawing from the District in accordance with Section 11 of the Act or Chapter 423 of the Laws of 1971, and has not adopted an ordinance in accordance with Section 11 of the Act determining that the area within the territorial area of such municipal corporation shall again be a part of the District;

"Federal Acts" means the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended by the Federal Water Pollution Control Act Amendments of 1972 (Pub. L. 92-500 and Pub. L. 93-243) and the Clean Water Act of 1977 (Pub. L. 97-217), as the same may be further amended and supplemented;

"Fiscal Year" means the period of twelve calendar months ending with November 30 of any year;

"Franklin Borough" means the Borough of Franklin, in the County of Sussex, New Jersey;

"Force Majeure", as employed herein, means acts of God, strikes, lockouts or other industrial or similar disturbances, acts of the public enemy, orders of any kind of the Government of the United States, of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, tornadoes, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be

deemed to be fulfilled even though such existing or impending strikes, lockouts and other industrial or similar disturbances may not be settled and could have been settled by acceding to the demands of the opposing person or persons;

"General charge" shall mean a portion of the Annual Charge as set forth in Article 4;

"Governing body" shall have the meaning given to such term by the Act;

"Hamburg Borough" means the Borough of Hamburg, in the County of Sussex, New Jersey;

"Local Sewerage System" means, with respect to a participant, all sewer systems of the Participant which are or may be connected, or are or may be required under the terms of Article III hereof to be connected, with the Upper Wallkill System, including all collection facilities and sewage transmission facilities owned by such Participant and any extensions or enlargements thereof;

"Operating Charge" shall mean a portion of the Annual Charge as set for in Article 4;

"Participant" shall mean Franklin Borough, Hamburg Borough, Hardyston Township Municipal Utilities Authority, Sussex Borough, Vernon Sewage Transmission Corporation, Wallkill Sewer Company, or any combination thereof, and any municipal corporation, Authority, Person, Partnership, Firm, Corporation, or Public Body having a service contract providing for or relating to the treatment and disposal of sewage collected by means of the Upper

Wallkill System, and the costs and expenses of such treatment and disposal, other than the County of Sussex;

"Phase I-A Project" means the following sewerage facilities in the Upper Wallkill River Basin which has been constructed or acquired by the Authority, with all necessary and incidental connections, manholes, valves, metering stations, equipment, apparatus, structures and appurtenances, and all other real or tangible personal property necessary or desirable for the efficient construction and operation of such facilities;

(a) An interceptor pipeline beginning at a point near the intersection of Franklin Avenue and Cork Hill Road, and continuing in a Northerly direction to the Northern end of Newton Street, within Franklin Borough, at which point it discharges into a sewage pumping station located at the Northern end of Newton Street in Franklin Borough;

(b) An interceptor pipeline between a beginning point near Stanaback Road, within Franklin Borough, and the interceptor pipeline described in (a) above, including a spur interceptor to Fowler Street;

(c) A sewage force main between a beginning point at a sewage Pumping Station located at the Northern end of Newton Street, within Franklin Borough, and continuing in a Northerly direction to a wastewater treatment plant located near the Wallkill River, within the Township of Hardyston;

(d) A sewage pumping station located at the Northern end of Newton Street, within Franklin Borough;

(e) An interceptor pipeline between a beginning point at the intersection of the Lehigh and Hudson River Railroad and Ginger Bread Castle Road, within Hamburg Borough, and a sewage pumping station located approximately 500 feet northerly of the intersection of the abandoned New York Susquehanna and Western Railroad spur and Wallkill Avenue, within Hamburg Borough;

(f) A sewage pumping station located approximately 500 feet northerly of the intersection of the New York Susquehanna and Western Railroad spur and Wallkill Avenue within Hamburg Borough;

(g) A sewage force main between a beginning point at the sewage pumping station described in (f) above, within the Borough of Hamburg, continuing in a westerly direction to a wastewater treatment plant located near the Wallkill River, within the Township of Hardyston;

(h) A sewage pumping station located on State Route 94 in Hardyston Township, approximately 2000 feet north of the intersection of Wheatsworth Road and State Route 94 which discharges into the sewage force main described in (c) above;

(i) A wastewater treatment plant located near the Wallkill River, within the Township of Hardyston, said plant presently being capable of treating and discharging a maximum average daily wastewater flow of two and one-half million gallons per day (2.5 MGD) to sufficient purity to maintain the current New Jersey Department of Environmental Protection Water Quality Standards for the Wallkill River, as well as treating the sewage and septic tank sludges generated within Sussex County, said plant

containing a sludge and septic waste composting facility;

"Phase II Project" shall mean the following additions to the existing Upper Wallkill Wastewater Treatment Plant:

(a) Construction of a third aeration basin, of similar size as the existing aeration basins, including all necessary pumping, piping, electrical facilities, and appurtenances associated with said aeration basin.

(b) Construction of effluent filtration or microscreening facilities of sufficient capacity to treat 3.0 MGD of secondary effluent.

(c) Construction of Ultra-Violet Light disinfection facilities of sufficient capacity to treat 3.0 MGD of plant effluent.

(d) Documentation, satisfactory to the NJDEPE, which confirms that the existing primary and secondary clarifiers are of sufficient size to properly treat 3.0 MGD of sewage.

(e) Construction of a connection to the existing treatment plant, along with a sewage flow metering station, on the existing plant site, to which Sussex Borough may connect its sewage force main.

"Pollution" shall have the meaning given to such term in the Act;

"Services Charges" means rents, rates, fees or other charges for direct or indirect connection with, or the use of services of, the Upper Wallkill System which the Authority, under the provisions of Sections 22 or 23, or both, of the Act, is or may

be authorized to charge and collect with regard to persons or real property;

"Sewage" shall have the meaning given to such term in the Act;

"Sussex Borough" means the Borough of Sussex, in the County of Sussex, New Jersey;

"Upper Walkkill Basin" or "Upper Walkkill River Basin" means that area of the District delineated on the map attached hereto marked "Schedule A" and by this reference made a part hereof;

"Upper Walkkill System" means the existing Phase I-A Project and all additions, extensions and improvements thereto or any part of the foregoing, and any renewals or replacements thereof, acquired or constructed or to be acquired or constructed by the Authority for the purposes of the Authority under the Act, but does not include the Local Sewage System of any Participant.

Section 102. Short Title. This agreement may hereafter be cited by the Authority or by the Borough and is herein sometimes referred to as the "1992 Sussex Borough Service Contract".

Section 103. Severability of Invalid Provision. If any one or more of the covenants or agreements provided in the Agreement, on the part of the Authority or the Borough to be performed should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Agreement.

ARTICLE II

CONSTRUCTION, OPERATION AND ENLARGEMENT
OF THE PHASE II PROJECT

Section 201. Construction, Operation and Enlargement of Phase II Project and the Upper Wallkill System. The Authority shall with all practicable speed prepare and complete plans for the construction and financing of the Phase II Project, and, upon completion of such financing or the making of arrangements therefor satisfactory to the Authority, the Authority shall with all practicable speed construct and complete the Phase II Project and place the same in operation; provided, however, that (A) the Authority shall not undertake the acquisition or construction of any portion of the Phase II Project until such time as the Authority and the NJDEPE have executed a loan agreement acceptable for the financing of the construction of the Phase II Project, and (B) the Authority shall not award construction contracts for any portion of the Phase II Project until such time as the Borough and the NJDEPE have executed a loan agreement for the financing of the construction of its Local Sewerage System. The Authority will thereafter operate in accordance with applicable requirements of governmental authorities having jurisdiction with respect thereto, and maintain, alter, improve, renew and replace, and subject to the terms of Section 202 and Section 601 hereof, enlarge and extend the Upper Wallkill System so as to treat and dispose of all sewage originating within the

service area of the Upper Wallkill System.

The Authority shall not be required to construct the Phase II Project should it not be able to obtain all necessary permits and approvals from the NJDEPE or any other governmental authority having jurisdiction. The Authority shall also not be required to construct the Phase II Project unless and until the Borough has obtained all necessary permits and approvals required for construction of the pumping station and force main necessary to convey its wastewater to the Upper Wallkill System.

Section 202. Public Hearings Prior to Enlargement and Extension of the Upper Wallkill System. The Authority shall not construct, and nothing in this Agreement shall be deemed to require the Authority to construct, any further enlargement or extension of the Upper Wallkill System unless it shall (A) have caused to be prepared by its consulting engineers a study with respect to such further enlargement or extension which sets forth an estimate as of the then current Fiscal Year of the total cost and expense of planning, financing, constructing and acquiring the enlargement or extension, and putting it in operation, the estimated date of completion of the enlargement or extension, and an estimate of the Annual Charges payable by each Participant for or with respect to the five (5) Fiscal Years immediately succeeding the Fiscal Year in which completion of the enlargement or extension is estimated by the Authority, (B) file a copy of such study with each Participant, (C) cause notice of the time, subject matter and place of the hearing hereinafter mentioned (i)

to be published at least once in a newspaper of general circulation published in the County of Sussex, New Jersey, and (ii) to be mailed to each Participant, and (D) not sooner than fifteen (15) days after such publication and mailing and thirty (30) days after such filing, hold a public hearing on such study at which any Participant may appear and, by agent or attorney, be heard with respect thereto.

Section 203. Project Plans to be Approved. Before undertaking construction of any enlargement of the Upper Wallkill System, the Authority will submit the plans and specifications for such construction to the DEPE (or a successor thereto) for approval as to sufficiency of design of the Authority's proposed enlargement project, and compliance with standards as then promulgated by DEPE, and all necessary permits shall be obtained by the Authority from DEPE to proceed with such construction, and all necessary approvals shall be secured from any other agency of the State of New Jersey or any other governmental authorities which have jurisdiction or authority as to type or degree of treatment of sewage by said enlarged sewage treatment plant or as to effluent therefrom.

Section 204. Insurance. The Authority will at all times maintain with responsible insurers all such insurance as is customarily maintained with respect to sewerage systems of like character against loss or damage to the Upper Wallkill System and against public or other liability to the extent not less than reasonably necessary to protect the interests of the Authority

and all Participants, and will at all times maintain with responsible insurers all insurance reasonably required and obtainable within limits and at costs deemed reasonable by the Authority to indemnify and save harmless all Participants against all liabilities, judgments, costs, damages, expenses and attorneys' fees for loss, damage or injury to person or property resulting directly or indirectly from the operation or a failure of operation of the Upper Wallkill System caused by the negligence or willful act of the Authority, its employees or agents.

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ARTICLE III
CONNECTIONS TO THE UPPER WALLKILL SYSTEM

Section 301. Connections Required. Upon notice from the Authority, the Borough will permit its Local Sewerage System, or the discharge pipes therefrom, to be connected with the Upper Wallkill System, at such point which the Authority and the Borough may mutually agree upon prior to the commencement of the construction of the Phase II Project. The Borough, at its own cost and expense, will construct, install and operate any and all extensions of its Local Sewerage System necessary to cause the same to reach to and deliver sewage at the said point of connection, and, after the making of such connection or connections, will keep its Local Sewerage System connected with the Upper Wallkill System, and will deliver and discharge into the Upper Wallkill System all sewage originating in its territory and collected in its Local Sewerage System.

Section 302. Sewage Not Required to be Discharged Into Upper Wallkill System. Notwithstanding the provisions of Section 301 hereof, the Borough shall not be obligated to deliver and discharge into the Upper Wallkill System sewage which the Authority may by its written consent exempt from delivery and discharge into the Upper Wallkill System.

Section 303. Sewage to be Accepted for Discharge Into Upper Wallkill System. The Authority hereby agrees to accept and

treat, from the Borough, sewage (including domestic, commercial, institutional and industrial sewage, plus associated infiltration, as provided by Authority Rules and Regulations) of a volume up to 464,000 gallons per day (monthly average), provided the strength and characteristics of such sewage comply with Authority Rules and Regulations as set forth in Section 501 hereof and N.J.S.A. 40:14B-20 (12). For purposes of this Section, sewage shall include the liquified waste material/sludge generated by operation of the Borough's water filtration plant located in Wantage Township, New Jersey. The Borough shall be responsible for making, constructing, or performing any necessary connection, facilities, or tasks required in order to discharge said liquified wastewater/sludge into its local sewerage system for transmission to and treatment at the Authority's Upper Wallkill Plant. Notwithstanding the provisions of Section 301 hereof or any other Section hereof, the Borough shall not have the right under this Agreement to deliver and discharge into the Upper Wallkill System any sewage or other wastes except either (1) sewage originating within the territorial boundaries of the Borough up to a maximum of 464,000 gallons per day (monthly average) as outlined above; and (2) any other sewage delivered and discharged into the Upper Wallkill System by the Borough with the written consent of the Authority.

Section 304. Meters and Measurements of Sewage and Records Thereof. (A) The Authority will provide, install and use, as part of the Phase II Project a meter (which meter shall be

calibrated at least annually) or other devices, methods or procedures for determining the volume (directly, by differentials or otherwise), and from time to time as necessary make tests and use other means for determining the quality and other characteristics, of the sewage which shall be delivered and discharged into the Upper Wallkill System by or for the account of the Borough. Said meter, and all existing meters associated with each Participant shall, in accordance with sound engineering practice, determine such volume and, when necessary, such quality and characteristics of sewage received from every participant. In the event of malfunction or failure of any meter or other device, the Authority may use its estimates as to flow, quality and other characteristics of sewage until such meter or device is repaired or replaced, and any such required repair or replacement shall be promptly made or undertaken by the Authority. Such estimates to be so used shall be based on the monthly average of flow, quality and other characteristics of sewage for the prior twelve (12) months (or lesser period of months) prior to the malfunction or failure of any such meter or other device. A copy of every such determination made by the Authority as to each Participant with respect to any Fiscal Year shall be mailed to each Participant at its usual place of business, and for all purposes of the 1992 Sussex Borough Service Contract, shall be conclusively deemed to have been made in accordance with the 1992 Sussex Borough Service Contract and to be correct at the expiration of the period of ninety (90) days after such mailing

except as may be provided by an award in an arbitration or the final judgment of a court of competent jurisdiction in any action or proceeding begun by a Participant within such period.

(B) The Authority will make and keep permanent records of the volume and, when ascertained, the quality and other characteristics of sewage delivered and discharged into the Upper Wallkill System by or for the account of each Participant. For the purpose of determining the volume, quality and other characteristics of any sewage which shall or may be delivered and discharged into the Upper Wallkill System by the Borough the Authority shall have the right at all reasonable times to enter upon and inspect the Local Sewerage System or drainage systems of the Borough, and to take normal samples under ordinary operating conditions and make tests, measurements, and analyses of sewage or other wastes in, entering or to be discharged into such sewer or drainage systems. The Authority will make and keep a record of tests, measurements and analyses of such sewage or other wastes entering such sewer or drainage systems, and upon the written request of any Participant will make available to such Participant the results of such tests, measurements or analyses.

(C) The Borough shall have the right at all reasonable times when accompanied by an employee of the Authority to enter upon and inspect the Upper Wallkill System, including particularly all meters and flow measuring devices.

ARTICLE IV

AUTHORITY CHARGES AND PAYMENT THEREOF

Section 401. Obligation of the Borough. The Borough shall make payments (herein sometimes called "Annual Charges") annually to the Authority for or with respect to the facilities and services made or to be made available to it hereunder by the Authority regarding the treatment and disposal of sewage and other wastes originating within its territory.

Section 402. Annual Charge. (A) The Annual Charge for each Fiscal Year payable hereunder by the Borough, beginning in the year in which the Borough initiates discharge into the Upper Wallkill System, shall consist of and include an Operating Charge and a General Charge. The Operating Charge to all Participants shall at all times be sufficient to pay or provide for the expenses of operating, repair and maintenance of the Upper Wallkill System including (without limitation of the foregoing) insurance, renewals and replacements, and the cost of all enlargements and alterations of the Upper Wallkill System not otherwise provided for. The General Charge to all Participants shall at all times be sufficient to pay the principal of and interest on any and all bonds, loans or other obligations of the Authority issued to finance in whole or in part the Upper Wallkill System as the same become due, and to provide for any deficits of the Authority resulting from failure to receive sums

payable to the Authority by any Participant or any other person, partnership, firm or corporation, or from any other cause, and to provide and maintain such reserves or sinking funds for any of the foregoing purposes as may be required by the terms of any contract or other obligations of the Authority. The Annual Charges made and imposed by the Authority shall be computed at rates which shall at all times be uniform as to all Participants for the same type, class and amount of use or services of the Upper Wallkill System, and the rates applicable with respect to sewage delivered and discharged into the Upper Wallkill System by any Participant shall not be more favorable to such Participant than the rates applicable with respect to sewage so delivered and discharged by any other Participant. The Authority, prior to each Fiscal Year, shall develop a schedule of such rates in a manner consistent with the Act and, from time to time whenever necessary after prescribing such schedule (but only after public hearing thereon held by the Authority, at least twenty days after notice of the time and place on such hearing shall have been mailed to each Participant at its usual place of business), the Authority shall revise the schedule of such rates, which shall at all times comply with the terms of any contract or other obligation of the Authority and shall be based or computed on the quantity, quality and other characteristics of sewage so discharged and delivered. Any Participant aggrieved by any part of such a revised schedule which fails to conform with the terms and provisions of this Agreement may institute appropriate

judicial proceedings to have the same reviewed for the purpose of obtaining correction of said part of such revised schedule.

(B) The portion of the General Charge to be included in the Annual Charge of each Participant shall bear the same ratio to the total amount to be included in the General Charge pursuant to subsection (A) of this Section as the amount of the sewage delivered by such Participant into the Upper Wallkill System (which amount, for the purposes of this subsection (B), shall in no event be less than such Participants Assigned Minimum Flow of Wastewater) bears to the total amount of sewage delivered by all Participants into the Upper Wallkill System. The Borough's Assigned Minimum Flow shall be 312,000 gallons per day (annual average) beginning on the date of initiation of discharge to the Upper Wallkill System.

(C) The portion of the Operating Charge to be included in the Annual Charge of each Participant shall bear the same ratio to the total amount to be included in the Operating Charge pursuant to subsection (A) of this Section as the amount of the sewage delivered by such Participant into the Upper Wallkill System (which amount shall in no event be less than the Assigned Minimum Flow) bears to the total amount of sewage delivered by all Participants into the Upper Wallkill System. The Borough's Assigned Minimum Flow shall be 312,000 gallons per day (Annual average), beginning on the date of initiation of discharge to the Upper Wallkill System.

Section 403. Payment of Annual Charges by the Borough.

(A) On or before December 15 of each Fiscal Year, beginning in the year in which the Borough initiates discharging into the Upper Wallkill System, the Authority will make an estimate of the amount of the Annual Charge which will become payable by the Borough for such Fiscal Year, and make and deliver to the Borough its certificate signed by an Authority Officer stating such estimated amount of such Annual Charge for such Fiscal Year.

(B) The Borough shall pay to the Authority in each Fiscal Year the estimated amount of the Annual Charge stated in the certificate delivered to it by the Authority as aforesaid in four equal payments on or before February 15, May 15, August 15 and November 15 of such Fiscal Year.

(C) On or before December 31 of the Fiscal Year immediately succeeding the Fiscal Year in which the Borough initiated discharge into the Upper Wallkill System and on or before December 31 of each Fiscal Year thereafter, the Authority will make and deliver to the Borough its certificate signed by an Authority Officer stating (1) the amount of the Annual Charge with respect to the Borough for the immediately preceding Fiscal Year computed in accordance with Section 402; and (2) the part (if any) of such Annual Charge not previously paid to the Authority by the Borough pursuant to and in accordance with Paragraph (B) of this Section, accompanied by an Accountant's Certificate approving the statements in such certificate, and on or before February 1 immediately following the close of such

Fiscal Year, the Borough will pay to the Authority the unpaid part of any Annual Charge so stated in such certificate. The Annual Charge, payable by the Borough for each Fiscal Year, shall in all events be due and payable no later than February 1 immediately succeeding the close of such Fiscal Year, but current provision for and payment of such Annual Charges on an estimated basis shall be made by the Borough in accordance with the foregoing Paragraphs of this Section. In the event that the amount of the Annual Charge made and charged by the Authority to and payable by the Borough for any Fiscal Year computed as provided in this Article shall be less than the estimated amount of such Annual Charge stated in the certificate delivered in such Fiscal Year to it by the Authority and paid by it to the Authority, the Authority will return the amount of the difference between said amounts of Annual Charges to the Borough on or before February 15 of the immediately succeeding Fiscal Year by credit against payments due to the Authority under the provisions of Paragraphs (B) or (C) of this Section.

(D) The Borough will in each year make all budgetary, emergency and other provisions or appropriations necessary to provide for and authorize the prompt payment by the Borough to the Authority of all amounts payable by the Borough pursuant hereto, all as stated in the certificates delivered to it by the Authority as aforesaid.

Section 404. Limitation on Service Charges. The sums payable by the Borough to the Authority under the provisions of

this Article are and shall be in lieu of Service Charges with regard to real property in the Borough directly or indirectly connected with the Upper Wallkill System and real property connected to the Local Sewerage System of the Borough connected with the Upper Wallkill System in accordance with Article III. So long as the Borough shall not be in default in the making of any payments becoming due from it under the provisions of this Article, the Authority will suspend Service Charges with regard to such real property. For the purposes of this Section, the Borough shall be deemed to be in default if the Borough, for a period of thirty (30) days after its due date, shall fail to make in full to the Authority any payment required to be made by it under the provisions of this Agreement.

Section 405. Payment of Connection Fees (A) The Borough shall pay to the Authority a Connection Fee, the purpose of which is to reimburse the Authority's existing Participants as required by Section 601 of their respective Service Contracts for debt service previously paid by the existing Participants on the existing Phase I-A Upper Wallkill System, from which the Borough will realize a benefit. The Connection Fee shall total \$935,000, and shall be paid to the Authority in ten (10) equal annual installments of \$93,500 per year, beginning in the year in which the Borough initiates discharges into the Upper Wallkill System. Payments shall be made in equal quarterly installments, payable on the same dates as the Authority's Annual Charge.

(B) The Borough shall not issue either a Certificate of

Occupancy or a sewer connection permit to any proposed new connection to the Borough's Local Sewerage System, after the date of initiation of discharge by the Borough into the Upper Wallkill System, until such time as the Borough receives a certificate issued by the Authority confirming that the Authority's connection fee (established as per NJSA 40:14B-22) has been paid by the party proposing to connect to the Borough's Local Sewerage System.

Section 406. Loss of Allocation in the Event of Non-Payment of Charges. (A) In the Event the Borough fails to pay, in full, any Annual Charge or other payment due the Authority under the provisions of this Agreement for a period of thirty (30) days after its due date, it shall be deemed in default. Upon such default, the Authority, in addition to any and all other legal or equitable remedies it might have under this Agreement or pursuant to law, shall have the right to revoke, rescind and take back all unused portions of the sewage flow allocation granted to the Borough pursuant to Section 303 of this Agreement. For purposes of this Section, the unused portion of the Borough's allocation shall be the difference between the 464,000 gpd allocation pursuant to Section 303 above, and the average daily gallonage actually discharged by the Borough to the Upper Wallkill Plant during the six (6) month period immediately preceding the default. Should the Borough have discharged sewage into the Upper Wallkill Plant for less than six (6) months prior to default, the unused portion of the allocation shall be 464,000

gpd less the average daily gallonage disposed of by the Borough at the Upper Wallkill Plant since the Borough initiated discharge to the Upper Wallkill Plant. Notwithstanding provisions of this Section, the Borough will continue to be obligated to pay Annual Charges as provided in Section 401.

(B) In the event of the revocation/recision of the Borough's unused sewerage flow allocation pursuant to subparagraph (A) above, the Authority shall retain such revoked/rescinded allocation for a period of twelve (12) months during which it will not redistribute it to other parties. During said twelve (12) month period the Borough may cure the default giving rise to the revocation/recision by paying all payments due to the Authority at the time payment is made, together with interest, at the rate of 1-1/2% per month from the due date until the date payment is made, on all such payments which are past due. Upon such curing during the said twelve (12) month period the entire revoked/rescinded allocation shall be restored to the Borough. Upon the expiration of the said twelve (12) month period without the default being cured as above stated, the Authority shall be free to distribute the revoked/rescinded allocation to third parties. Should the Borough effect a cure of the defect thereafter, there shall be restored to the Borough so much of the revoked/rescinded allocation which has not been redistributed out to third parties as of the date of cure.

Section 407. Reimbursement to Authority Upon Discontinuance of Project. The parties recognize that the Authority will incur expenses, in excess of expenses funded by the Sussex Borough Escrow Agreement, incidental to the proposed Phase II Project in order to facilitate the ability of the Borough to connect its sewage collection system to the Upper Wallkill System. The parties further recognize that such will entail the Authority incurring debt for funding design and permitting activities, and that in the event the Phase II Project is discontinued at some point prior to conclusion, there would be no benefit to the Authority or its present Participants. Consequently, to ensure that the Authority's present Participants do not suffer an inequitable loss as a result of the Authority's willingness to participate in the Phase II Project, the parties hereby agree that should the Phase II Project be discontinued or fail to be implemented for any reason other than the intentional or negligent acts or omissions of the Authority, the Borough shall reimburse the Authority for all reasonable costs and expenses incurred by the Authority incidental to the Phase II Project, including but not limited to, expenses incurred for or in connection with the design and permitting of the expansion of the Upper Wallkill system which was needed to accommodate the Borough of Sussex, and financing costs and debt service connected with the Phase II Project. The Authority shall certify to the Borough the amount for which reimbursement is due and shall supply the Borough, at the Borough's request, with documentation, including

vouchers, invoices, receipts etc. supporting the claimed amount. Reimbursement shall be paid over a period of three years in equal annual installments beginning in the year in which the Authority provides said certification.

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ARTICLE V
OPERATION OF THE UPPER WALLKILL SYSTEM
AND LOCAL SEWERAGE SYSTEM

Section 501. Rules and Regulations. (A) The Authority may at any time promulgate, issue, publish, and from time to time amend, supplement and enforce, all such rules and regulations concerning the Upper Wallkill System or the business and affairs of the Authority as may be permitted by law, including but not limited to rules and regulations regulating the making of connections to the Upper Wallkill System or the use or services of the Upper Wallkill System or prohibiting or regulating the discharge into the Upper Wallkill System from any sewer, sanitation or drainage systems connected therewith of (a) storm water drainage from ground surface, roof leaders or catch basins or from any other source, (b) industrial wastes, or (c) oils, acids, garbage, metallic salts, radioactive, toxic or explosive materials or any other substances which, alone or in combination with other substances discharged into the Upper Wallkill System, are or may be in the opinion of the Authority injurious or deleterious to the Upper Wallkill System or to its efficient operation, or the Wallkill River, or both. The Borough shall fully comply with such rules and regulations and will cause the same to be fully observed and complied with throughout its territory. Such rules and regulations may include lists of harmful wastes, the discharge of which into the Upper Wallkill System or any sewer, sanitation or drainage system connected

therewith shall be prohibited. In the enforcement of such rules and regulations (or in the enforcement of Annual Charges), the Authority may refuse to permit or continue the connection to the Upper Wallkill System of properties in the Borough for good cause. Such refusal shall not be deemed to result in any violation by the Authority of the provisions of this Agreement as to construction or operation of the Upper Wallkill System or the charging or collection of Annual Charges or any other matter. All such rules and regulations and any amendments thereof shall take effect as to the Borough sixty (60) days after a copy thereof shall have been mailed to the Borough and, for all purposes of this Agreement, shall be conclusively deemed to have been made in accordance with this Article at the expiration of said period of sixty (60) days except as may be provided by the final judgment of a court of competent jurisdiction in an action, or determined pursuant to arbitration as hereinafter mentioned, begun by the Borough within such period. Any controversy arising out of or relating to such rules or regulations may, upon notice given by the Borough to any other Participant under contract with the Authority which may be affected thereby, be settled by arbitration in accordance with the rules then obtaining of the American Arbitration Association and any decision rendered shall be binding upon the Borough and the Authority; provided, however, that any such decision which would prevent the Authority from complying with the provisions of any contract or other obligation

of the Authority with or for the benefit of holders of its bonds, notes or other obligations shall not be binding upon the Authority.

(B) The Authority may from time to time fix, charge and collect reasonable rates or other charges for the discharge into the Upper Wallkill System from the Borough of sewage in volumes or of a quality or other characteristics which are not in compliance with This Agreement or said rules and regulations then in effect. Such charges shall equal the increase in the cost of managing the effluent or the sludge of the Upper Wallkill System as determined by the Authority.

Section 502. Construction and Operation of Local Sewerage System. (A) The Borough shall proceed to plan, finance, acquire and construct as part of its Local Sewerage System all such sanitary sewage collection facilities as are necessary or convenient, together with the Upper Wallkill System of the Authority, for the relief of waters within or bordering the territorial boundaries of the Borough from pollution or threatened pollution by sewage industrial and other wastes arising from sources within said boundaries. The Borough will at all times operate its Local Sewerage System in such a manner so that the Borough will at all times be in compliance with the provisions of the Federal Acts and any rules and regulations promulgated pursuant thereto and any laws of the State of New Jersey with respect to the collection, treatment and disposal of

sewage, including by way of illustration rather than limitation, any rules and regulations of DEPE (or any successor thereto). The Local Sewerage System of the Borough shall be operated and maintained in such a manner as to exclude, to the maximum reasonable extent, excessive infiltration or storm water inflow therefrom, and in the event such excessive infiltration or inflow shall exist or occur the Borough shall promptly make all reasonable repairs and take all other measures necessary or desirable to reduce the amount or volume thereof to normally allowable levels which are acceptable to the Authority and DEPE (or any successor or successors thereto). In connection with any such excessive infiltration or inflow condition, the Borough shall undertake with all practicable speed any required sewer system evaluation survey and necessary or desirable rehabilitation.

(B) The Borough agrees to take all available administrative steps, and pursue any and all remedies provided by law, to enforce compliance, in the operation of its Local Sewerage System, with all rules and regulations promulgated by the Authority, and to adopt and maintain in full force and effect a sewer use ordinance in compliance with the rules and regulations of the DEPE and EPA. The Borough further agrees to comply with all EPA requirements relating to user charges.

(C) The Borough shall not make or permit any new connection to or extension of its sewer, sanitation or drainage systems

which is so designed as to permit entrance directly or indirectly into the Upper Wallkill System of storm water drainage from ground surface, roof leaders, catch basins or any other source. The Borough, before making any new connection to or extension of its said sewer, sanitation or drainage systems, will submit the plans therefor to the Authority for its approval and, in making the same, will permit the Authority to inspect the work, and will comply with all requests of the Authority with respect thereto reasonably designed to assure exclusion from the Upper Wallkill System of any such storm water drainage. In the event that the Borough discharges sewage into the Authority's Upper Wallkill System, the volume of which is in excess of 464,000 gallons per day (monthly average) allocated to the Borough pursuant to Section 303 of this Agreement, the Borough shall pay to the Authority a surcharge for each and every gallon in excess of its allocation. The amount of such surcharge shall be in accordance with the Annual Rate Schedule of the Authority then in effect, and said amount shall apply to all Participants. Such surcharge shall be paid in addition to and not as a substitute for the standard charge for treatment of said excess gallonage. Surcharges for a particular quarter shall be billed the following quarter and payment shall be due at the time that the standard quarterly bill for sewage treatment services is due. The Authority shall include said surcharge amount in its Annual Rate Schedule each year.

Section 503. Accounts. The Authority will keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Upper Wallkill System or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to public inspection. The Authority will cause its books and accounts to be audited annually by a certified public or registered municipal accountant selected by the Authority, and annually within one hundred (100) days after the close of each Fiscal Year, copies of the reports of such audits so made shall be furnished to the Authority and to the Borough, including statements in reasonable detail accompanied by a certificate of said accountant, of financial condition, of revenues and operating expenses, and of all funds held by or for the Authority.

ARTICLE VI
MISCELLANEOUS

Section 601. Contracts With or Service to Others. (A) The Authority will not enter into any agreement providing for or relating to the treatment and disposal of sewage originating in the Borough or sewage originating outside the Borough collected in sewers which at the date of this Agreement are connected with the Local Sewerage System of the Borough, unless (1) the other contracting party shall be the Borough or (2) the Borough shall have given its written consent thereto; provided, however, that nothing in this Agreement contained shall restrict in any way the right and power of the Authority, in its discretion, at any time and from time to time, to enter into agreements with any municipal corporation or with any other body, person, partnership, firm or corporation providing for or relating to the disposal of sewage or with respect to the delivery or discharge into the Upper Wallkill System of sewage or other wastes originating within or without the District, provided that (a) the charges with respect to such sewage or other wastes delivered and discharged into the Upper Wallkill System made and imposed with respect thereto or charged and collected pursuant to the Act shall not be computed or established at any rates less favorable to the Authority than the rates applicable with respect to sewage delivered and discharged into the Upper Wallkill System by the

Borough, and the terms and conditions of any such agreement shall not be less favorable to the Authority than the terms and conditions of this Agreement and (b) prior to entering into any contract for sewage disposal with other potential participants, an equitable system will be developed by the Authority and the Participants and included in each such contract to effect, through the rates, rents, fees or other charges imposed by each such contract, a reimbursement to the Participants of those portions of the Annual Charges theretofore paid to the Authority by the Participants representing the principal of and interest on all bonds, notes or other obligations of the Authority issued to pay for the costs of planning, financing, acquiring, constructing and operating that portion (which may or may not be determined by the Authority on a percentage basis) of the Upper Wallkill System which exceeds that required to accept from and service the daily flows from the existing Participants, including the Borough.

(B) Subject to all applicable statutes, rules, regulations, and ordinances applicable to and governing same, the Borough shall have the right to seek additional users outside of the Borough's boundary lines for any excess, unused, allocation it might have pursuant to this agreement.

Section 602. Enforcement. (1) The Authority will at all times take all reasonable measures permitted by the Act or otherwise by law to collect and enforce prompt payment to it or for it of all Service or Annual Charges prescribed, fixed,

certified or charged by it in accordance with this Agreement. If any payment or part thereof due to the Authority from the Borough shall remain unpaid for thirty (30) days following its due date, the Borough shall be charged with and will pay to the Authority interest on the amount unpaid from its due date until paid at the maximum applicable legal rate of interest, and the Authority, in its discretion may charge and collect Service Charges with regard to persons and real property directly or indirectly connected to the Upper Wallkill System sufficient to meet any default or deficiency in any payments herein agreed to be made by the Borough. If in any such case Service Charges are so collected, the amount so collected by the Authority will be credited against the amount of such default or deficiency or any payments then or theretofore due to the Authority from the Borough under the provisions of Article IV hereof, and the Authority will furnish to the Borough a list of the names of the persons making payment to the Authority of such Service Charges and of the amounts so paid by such persons respectively, and the Borough will give fair and proper credit to such persons for the amounts so paid by them.

(2) Every obligation assumed by or imposed upon the Borough by this Agreement shall be enforceable by the Authority by appropriate action, suit or proceeding at law or in equity, and the Authority may have and pursue any and all remedies provided by law for the enforcement of such obligations including the remedies and processes provided by the Act with respect to

Service Charges or other obligations.

(3) Failure on the part of the Authority or of the Borough in any instance or under any circumstances to observe or fully perform any obligation assumed by or imposed upon it by this Agreement shall not make the Authority liable in damages to the Borough or any Participant, or the Borough liable in damages to the Authority or any Participant, or relieve the Borough from making any payment to the Authority provided the Authority continues (unless such continuation is rendered impractical by reason of the occurrence of Force Majeure) to accept and treat sewage from the Borough or fully performing any other obligations required of it under this Agreement, but the Borough may have and pursue any and all other remedies provided by law for compelling performance by the Authority of said obligation assumed by or imposed upon the Authority.

Section 603. Certain Acts Not a Waiver. Acceptance by the Authority into the Upper Wallkill System from the Borough of sewage in a volume or at a rate or with characteristics exceeding or violating any limit or restriction provided for by or pursuant to this Agreement in one or more instances or under one or more circumstances shall not constitute a waiver of such limit or restriction or of any of the provisions of this Agreement and shall not in any way obligate the Authority thereafter to accept or make provision for sewage delivered and discharged into the Upper Wallkill System in a volume or at a rate or with characteristics exceeding or violating any such limit or

restriction in any other instance or under any other circumstance.

Section 604. Special Consents by Borough. Whenever under the terms of this Agreement the Borough is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by a copy, certified by its Clerk and under its seal, of a resolution purporting to have been adopted by its governing body and purporting to give such consent.

Section 605. Special Consents by Authority. (A) Whenever under the terms of this Agreement the Authority is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by a copy, certified by its Secretary and under its seal, of a resolution purporting to have been adopted by the Authority or its members and purporting to give such consent.

(B) Whenever under the terms of the Agreement, the Authority is authorized to give its written consent, the Authority, in its discretion, may give or refuse such written consent and, if given, may restrict, limit or condition such consent in such manner as it shall deem advisable.

Section 606. Term of Agreement. This Agreement shall come into effect upon its execution and delivery by or on behalf of the Borough and the Authority, and shall thereafter be and remain in full force and effect, but at any time after five (5) years from the date of this Agreement and after payment in full of all obligations of the Authority, including its bonds, notes or other

obligations, original or refunding or both, issued to finance the planning, financing, construction, replacement, maintenance or operation of the Upper Wallkill System, the Borough and the Authority may agree in a signed writing to terminate this Agreement.

Section 607. Obligation of the Authority. All bonds, notes or other obligations of the Authority referred to in this Agreement or to be issued by the Authority shall, for all purposes of this Agreement be the sole obligation of the Authority and shall not in any way be deemed a debt or liability of the Borough.

Section 608. Pledge or Assignment. The Authority may at any time assign or pledge for the benefit and security of the holders of bonds, notes or other evidence of indebtedness heretofore or hereafter issued by the Authority any of its rights under the provisions of this Agreement including but not limited to its rights to receive payments from the Borough, and thereafter this Agreement shall not be terminated, modified, amended, supplemented or changed by the Authority or the Borough except in the manner (if any) and subject to the conditions (if any) permitted by the terms and provisions of such assignment or pledge.

Section 609. Execution in Counterparts. This Agreement may be executed in any number of counterparts each of which shall be executed by the Authority and the Borough, and all of which shall be regarded for all purposes as one original and shall

constitute and be but one and the same.

IN WITNESS WHEREOF, the Authority and the Borough have caused their respective corporate seals to be hereunto affixed and attested and these presents to be signed by the respective officers thereunder duly authorized and this Agreement to be dated as of the day and year first above written.

THE SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

(SEAL)

BY JoAnn D'Angeli
JoAnn D'Angeli, Chairman

ATTEST:

Kurt Braun
Kurt Braun, Secretary

THE BOROUGH OF SUSSEX

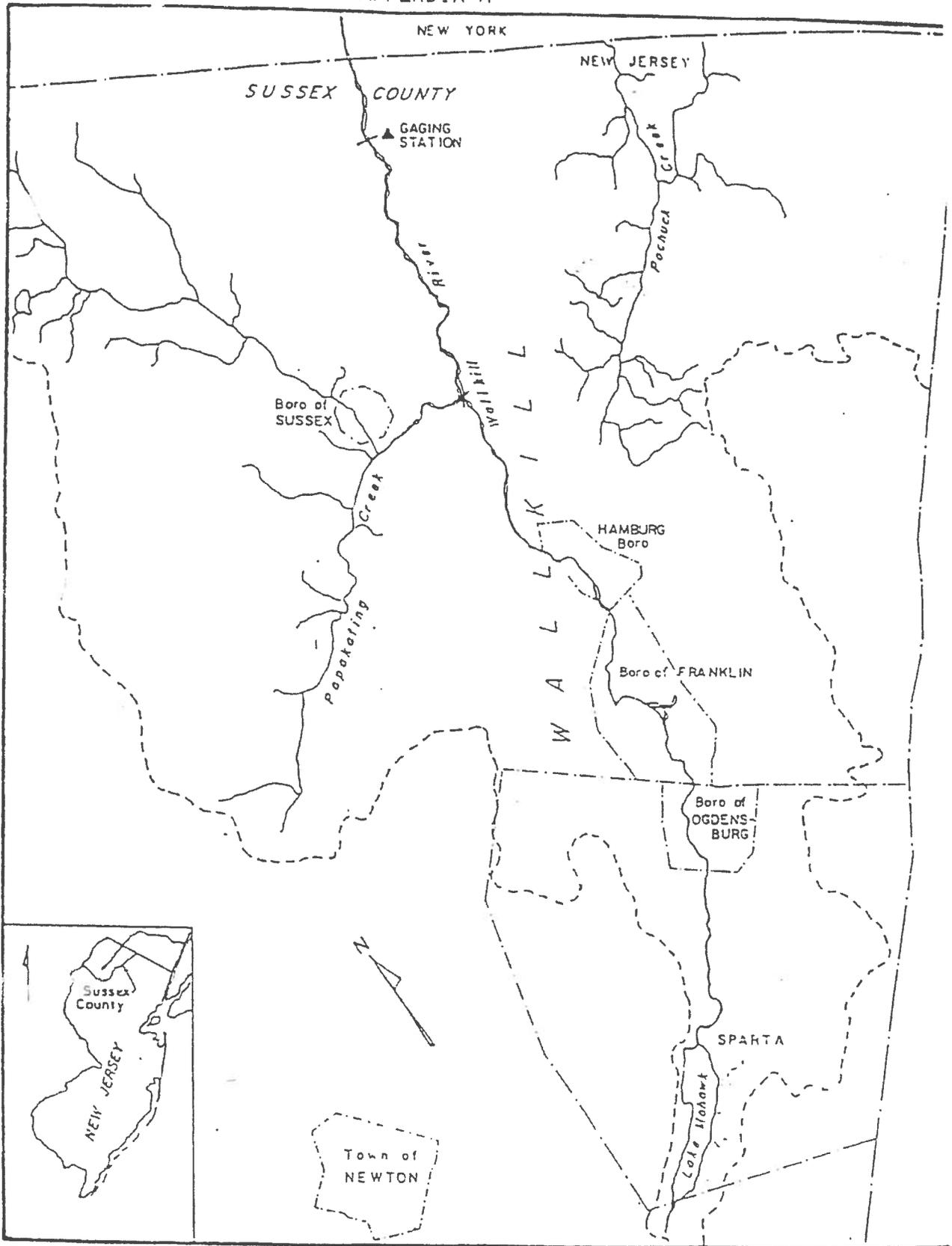
(SEAL)

ATTEST:

BY Peter P. Horvath
Peter Horvath, Mayor

Reine L. Zudera
Borough Clerk

APPENDIX A



Budget Trends in Sussex & Wantage 2004-2008 Appendix I

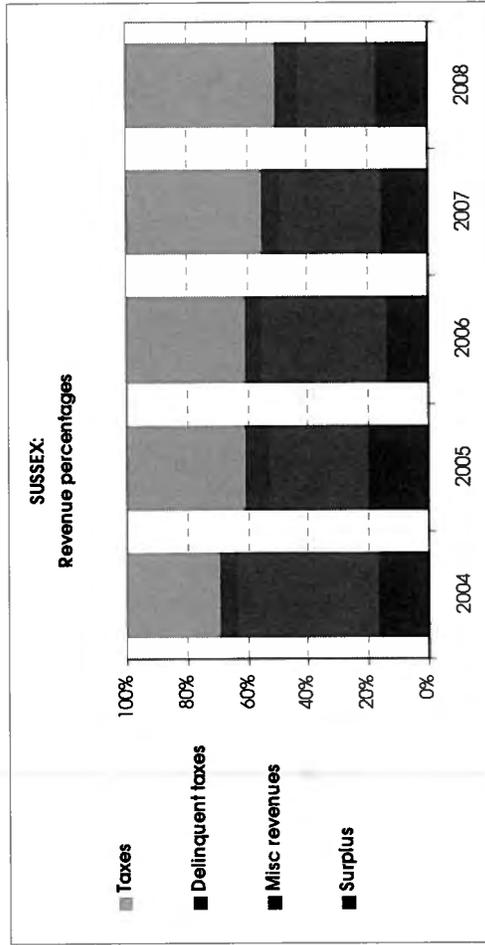
Prepared for the Joint Municipal Consolidation Study Commission of Wantage Township and Sussex Borough

by

Government Management Advisors, LLC
March 2009

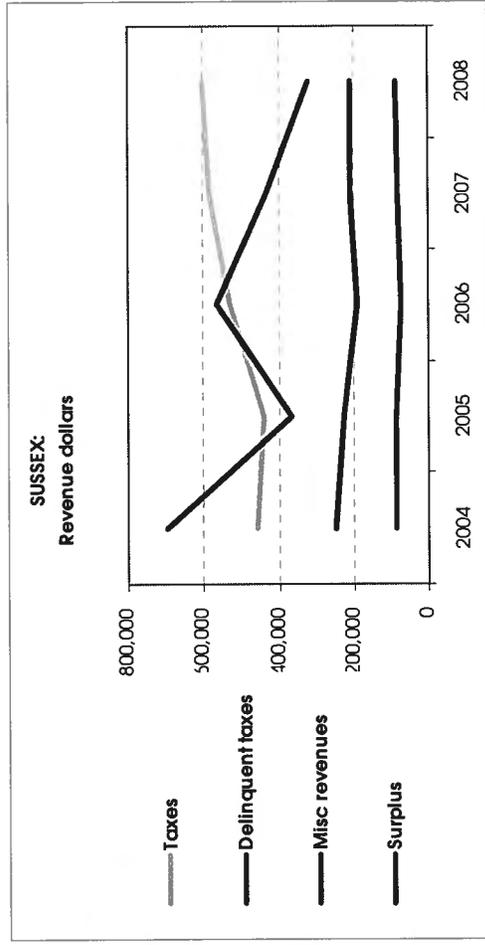
Revenues as % of total

Taxes grow as % of total revenues



Revenues in absolute terms

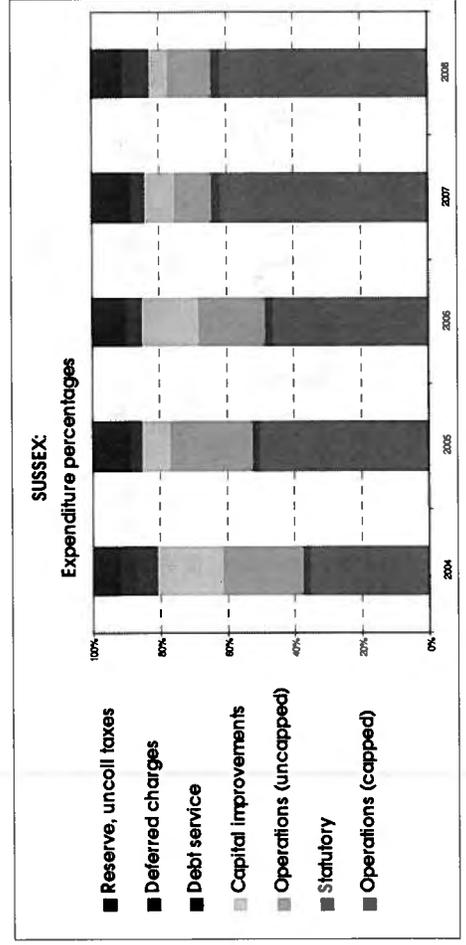
“Good” revenues (surplus & miscellaneous) fall, while “bad” revenues (taxes) rise



SUSSEX analysis 2004-2008

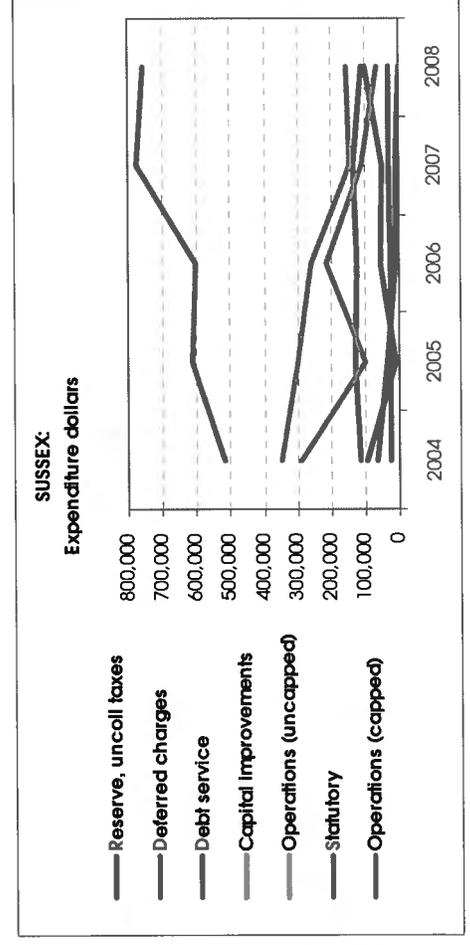
Expenditures as % of total

Operations grow as % of total; capital shrinks



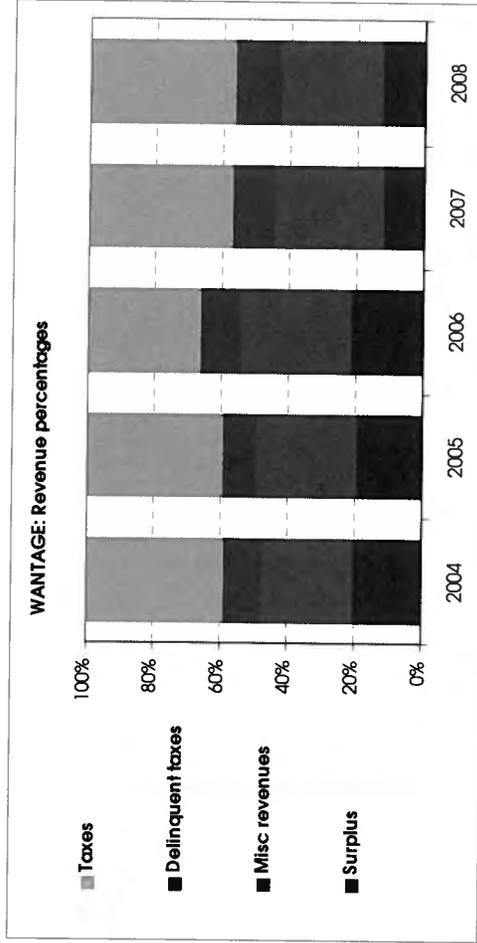
Expenditures in absolute terms

Uncapped costs fall while capped costs rise.



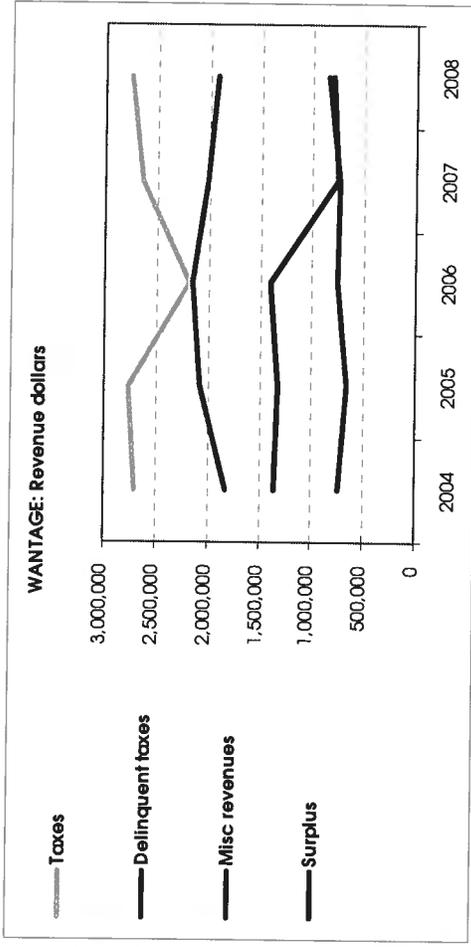
Revenues as % of total

Taxes fall, then rise; miscellaneous revenues rise, then fall; surplus falls



Revenues in absolute terms

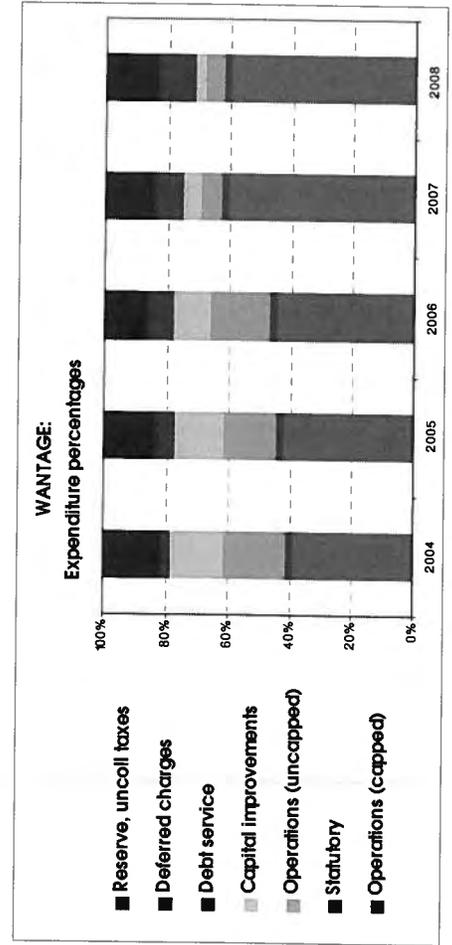
"Good" revenues (surplus + miscellaneous) fall in recent years; "bad" revenues (taxes) rise in recent years



Wantage analysis 2004-2008

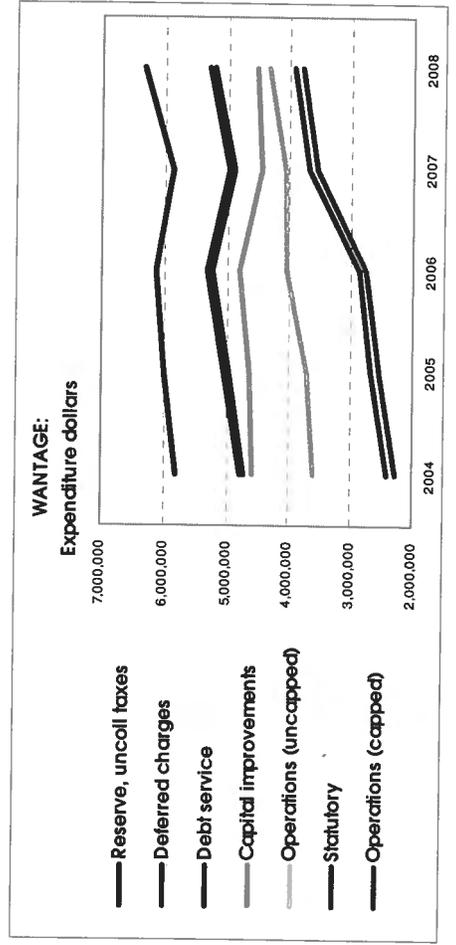
Expenditures as % of total

Capped operations grow as uncapped items shrink; debt grows and capital shrinks



Expenditures in absolute terms

All costs except capital grow



CHANGE IN RESIDENTIAL TAXES *WITH* PROJECTED SAVINGS DUE TO CONSOLIDATION

APPENDIX J

BASELINE ANALYSIS

Following its standard procedures, the NJ Department of Community Affairs (DCA) has presented an analysis of average residential tax bills before and after consolidation. This calculation takes into account the complex factors involved in comparing taxes between two separate municipalities and a single consolidated municipality.

The DCA report showed that — with no consideration of potential savings growing out of consolidation — that the average tax bill for residential properties in the former Borough of Sussex would decrease by \$400 while the average bill for residential properties in the former Township of Wantage would increase by \$62. (Under current state law, Wantage residential-property owners who incurred a tax increase as a result of consolidation would be reimbursed the initial increase annually for as long as they own and occupy their properties.)

REVISED ANALYSIS, TAKING PROJECTED SAVINGS INTO ACCOUNT

As part of its study, the Joint Consolidation Study Commission (JCSC) identified potential savings resulting from consolidation. These savings come from a combination of three factors: ① elimination of ten duplicate positions (such as municipal clerk, tax collector, and attorneys), ② certain other workforce consolidations due to efficiencies from consolidation, and ③ changes in benefit costs.

The total estimated value of those savings is about \$585,000.

(NOTE: The JCSC does not have the authority to mandate or otherwise ensure that these savings will take place. The budget of a newly consolidated municipality is determined by the members of the governing body who are elected after the consolidation vote.)

Applying the projected savings to the DCA analysis results in potential tax savings for residential-property owners in both municipalities:

	DCA analysis	DCA analysis + savings
• Sussex	\$400 reduction	\$483 reduction
• Wantage	\$62 increase	\$57 reduction

State law requires every municipality to fill a number of positions with full-time, part-time, or contract employees. (Sussex currently fills three of these mandatory positions by contracting with Wantage.) Consolidation would create a situation in which 28 mandated officials — including members of the two governing bodies — would be replaced by 18 mandated officials (of whom seven would be members of the governing body). This reduction accounts for the bulk of the savings projected to grow out of consolidation.

Detailed accounting of the projected reduction in residential taxes appears on the next page of this report.

Appendix J

DETAILED CALCULATION OF PROJECTED TAX SAVINGS

Item	DCA base analysis		Analysis with savings	
	Sussex	Wantage	Sussex	Wantage
2008 base for calculations				
2008 tax levy	\$3,353,009		\$3,353,009	
Share of combined levy	\$600,454	\$2,752,555	\$600,454	\$2,752,555
Percentage share of tax levy	17.9%	82.1%	17.9%	82.1%
2008 average residential tax bill	\$872	\$609	\$872	\$609
Recalculation	Without savings		With savings	
Projected savings after consolidation	\$0		\$585,025	
Tax levy after savings	\$3,353,009		\$2,767,984	
Share of levy	\$325,242	\$3,027,767	\$268,494	\$2,499,490
Percentage share of tax levy	9.7%	90.3%	9.7%	90.3%
Change due to savings (\$)	Does not apply		-\$331,960	-\$253,065
Change due to savings (%)			-55.3%	-9.2%
Projected average residential tax bill	\$472	\$671	\$389	\$552
Change in average residential tax bill	-\$400	\$62	-\$483	-\$57

Background

Several discussions about the possibility of consolidating Wantage and Sussex have touched on the issue of population growth. One speaker at a consolidation commission forum warned against becoming a big town. Therefore, it is worth examining the likely scenario for growth of the two communities, or of a consolidated community.

Purpose

The purpose of this report is to supply the Joint Consolidation Study Commission of Wantage Township and Sussex Borough, and the public who will study the work of the Commission, with a simple-to-understand summary of population projections prepared by other parties. The summary is intended to provide forecasts of population for the foreseeable future. It is not intended to be a rigorous examination of the literature on the subject. Nor is it intended to be a demographic population projection study in its own right. Its practical and utilitarian purpose is to supply basic information to illustrate the likely total population in a potentially consolidated community in the near future based on work performed by others.

Assumptions

This report assumes that the population of the area will be dictated by present zoning, regional location, regional development, geography, current regional migration behaviors and transportation limitations that now exist. It does not assume that a consolidation of the two municipalities will greatly affect the population or demographics of the area.

Likewise, it does not assume that greater growth will occur as the result of the new Growth Share regulations of the Council on Affordable Housing. If growth occurs, it will have to include low- and moderate-income housing as an element of the growth. If growth does not occur, the parties of the newly consolidated municipality will be required to meet only prior obligations.

Data Sources:

The U.S. Census Bureau Census 2000 is the basis for almost all population projections and analyses. This is the case here. The two population projections discussed in this report were created using Census 2000 data.

The Sussex County Division of Planning is responsible for preparing a County-wide master plan of which population forecasts for municipalities in the County is a significant part. The Division utilizes U.S. Census Bureau decennial census data to produce these population projections, supplemented by data from other sources such as the State government and interim work performed by the Census Bureau.

School districts throughout New Jersey are responsible for preparing projections of school-age populations to adequately prepare themselves for incoming grades. This is true of the Highpoint Regional High School District, of which the Sussex Wantage Regional School District is a part. Most recently, Statistical Forecasting, LLC prepared a report entitled, "Demographic Study for the High Point Regional School District," dated December 2006 and prepared specifically by Richard S. Grip, Ed.D.

How did the municipalities appear in 2000?
 A snapshot from the 2000 decennial census

Sussex

The 2000 Census provides the following information on Sussex Borough regarding population, housing and race. (Note that the vacancy rate is calculated from the Bureau of Census supplied data.)

Population	
Total Population	2145
Male	1025
Female	1120
Under Age 5 years	133
5 years to 19 Years	434
20 Years to 64 years	1305
65 years and over	273
Median Age	36.1
Housing	
In households	2135
In group quarters	10
Occupied housing units	903
Vacant housing units	58
Vacancy Rate (calculated)	6.04%
Total housing units	961
Race	
White	2066
African American	24
Asian	26
Other	29

Source: U.S. Census Bureau, 2000 Census

Wantage

The 2000 Census provides the following information on the Township of Wantage regarding population, housing and race. (Note that the vacancy rate is calculated from the Bureau of Census supplied data.)

Population	Wantage
Total Population	10387
Male	5113
Female	5274
Under Age 5 years	701
5 years to 19 Years	2614
20 Years to 64 years	6156
65 years and over	916
Median Age	36.3
Housing	
In households	10382
In group quarters	5
Occupied housing units	3441
Vacant housing units	222
Vacancy Rate (calculated)	6.06%
Total housing units	3663
Race	
White	10086
African American	67
Asian	70
Other	164

Source: U.S. Census Bureau, 2000 Census

1930 to 2000 Total Population Census Figures

The table on the next page reviews population change in the two municipalities between 1930 and 2000.

Between 1950 and 1990, Wantage has seen population increases of at least 30% every 10 years. Between 1990 and 2000 growth slowed to about 9.5%.

Between 1960 and 1980, the Borough's population grew at nearly a similar pace to that of the Township. 1980 was the Borough's peak population year. However, between 1980 and 2000, Sussex Borough has seen losses of 273 or 11.3% of the 1980 population of 2418.

While Wantage has continued to grow due to its vast amount of undeveloped land, Sussex Borough's highest recorded population was in 1980. So far, 2000 has been the peak year for

population for the Township. It is unlikely that 2000 will remain the peak year for population for Wantage.

Year	Wantage			Sussex		
	Population	Change	Change %	Population	Change	Change %
1930	2075			1415		
1940	2376	301	14.51%	1478	63	4.45%
1950	2543	167	7.03%	1541	63	4.26%
1960	3308	765	30.08%	1656	115	7.46%
1970	4329	1021	30.86%	2038	382	23.07%
1980	7268	2939	67.89%	2418	380	18.65%
1990	9487	2219	30.53%	2201	-217	-8.97%
2000	10387	900	9.49%	2145	-56	-2.54%

Source: U.S. Census Bureau

2010 and 2020 Population

Population projections

The Sussex County Division of Planning has issued population projections for all 24 of the municipalities in the County, for 2010 and 2020. Here is an extracted portion of the projections for the County, the Borough and the Township:

	2000 Census	Projected			2010 Relative Position	Projected			2020 Relative Position
		2010 Pop.	2000-2010			2020 Pop.	2010-2020		
			Change	%Change			Change	Change	
Sussex County	144166	161881	17715	12.29%	178635	16754	10.35%		
Sussex Boro	2145	2358	213	9.93%	2500	142	6.02%	20th	
Wantage Twp	10387	11587	1200	11.55%	12500	913	7.88%	4th	
Combined	12532	13945	1413	11.28%	15000	1055	7.57%	4th	

Statistical Forecasting, LLC's report for the high school also provides population projections for this period. Their forecasts are attributed to the North Jersey Transportation Planning Authority, Inc. (2005), which are provided in 5-year intervals in the Statistical Forecasting Report. For purposes of simplicity and clarity, the estimates for 2005 and 2015 are not shown.

	2000 Census	Projected			Projected		
		2010 Population	2000-2010		2020 Population	2010-2020	
			Change	Change		Change	Change
Sussex Borough	2145	2360	215	10.02%	2500	142	6.02%
Wantage Twp	10387	11590	1203	11.58%	12500	913	7.88%
Combined	12532	13950	1418	11.32%	15000	1055	7.56%

In these two projections, the only differences are:

- The County projects two (2) fewer people in Sussex Borough in 2010.
- The County projects three (3) fewer people in Wantage Township in 2010.

Other conclusions that can be gained from observing the above tables are:

- The projections for total populations in 2020 are identical for both the Sussex County Division of Planning and the North Jersey Transportation Planning Authority.
- In 2020, Wantage alone has 7.0% of the County's population, down from 7.2% in 2000. However, a consolidated municipality in 2020 would have 8.4% of the County's population; Sussex Borough standing alone in 2020 has only 1.4% of the County's population.
- In terms of growth rates, there is a slight deviation between the municipalities during the 2000-2010 period and the 2010-2020 period. Sussex is about 1.5% to 1.8% behind Wantage in growth rate.
- Interestingly, the combined population does not affect the relative standing of Wantage in the County.
 - With or without Sussex Borough, Wantage ranks as the 4th largest municipality in Sussex County for the years 2000, 2010 (projected) and 2020 (projected).
 - Hardyston is a strong growth municipality rising from 7th largest in 2000 to 5th largest in 2020. A consolidated municipality of Sussex and Wantage would be almost 50% larger than Hardyston in the year 2020. Without the consolidation, Wantage would only be 2400 residents larger or 23.7% in 2020.
 - In 2020, Hopatcong is forecast to have a population of 16,800. It retains its rank as the 3rd largest municipality behind Vernon and Sparta. With a combined Wantage and Sussex, Hopatcong is only 1800 people or 12% larger than the potentially fourth largest municipality, but 4300 larger than a stand alone Wantage.
- In the County Division of Planning forecasts, the growth rates for both the Borough and the Township lag behind the projections for the County as a whole. This is primarily due to anticipated growth in the eastern and southern parts of the county occurring at a somewhat faster rate than the northern and western portions of the County. This is consistent with prior development patterns.

Conclusions

1. The County Division of Planning, the North Jersey Transportation Planning Authority and the consulting firm, Statistical Forecasting, LLC, concur on the population projections for 2020 for the two municipalities. Indeed, school population forecasting for the High Point Regional School District relies on these projections to plan future school populations.
2. Growth in these municipalities lags behind overall County growth during the period.
3. Average projected annual population increases hover around the 1% or less for both municipalities, though Wantage is slightly higher than Sussex.
4. The current projections are based on current conditions. Unexpected events or extraneous factors could affect these projections. Such unlikely or unexpected events or factors could include major transportation improvements, development of regional job centers, trans-border events in New York State, or the discovery/development of major new water sources. Currently, neither these nor other events that could affect population change are anticipated, likely, or probable.

5. Population growth over the next 12 years is not likely to be a significant factor affecting the municipalities, unless one or more extraneous factors not previously considered by planners occurs.

FINAL

DEBT OBLIGATIONS AND BOND ISSUES OF THE NEWLY CONSOLIDATED THE MUNICIPALITIES

Appendix L

PREFACE

During the process of analyzing the individual debt obligations of both Sussex Boro and Wantage Township, research was done to determine the present debt obligations that each municipality has incurred and its associated payment structure. Through various discussions with officials and representatives of both municipalities as well as the state Department of Community Affairs and the local school districts, the following guidelines are provided which take into the account the present debt obligations of the various governmental agencies and the ability to incur additional debt in the interim period between a positive referendum vote on consolidation and the actual time that newly consolidated municipality is installed with its elected officials.

RECOMMENDATIONS

Time period between positive referendum vote and election of new municipal officers.

If Sussex Boro and Wantage Township were to Consolidate through a positive referendum vote, there would be strict limitations to the ability of either participating municipality for debt obligations to be authorized and issued by either participating municipality with some limitations on the constituent school districts between date of a positive referendum and the election of new officers for the consolidated municipality.

If one of the constituent municipalities requires a debt ordinance to be passed in this interim period, a sub-committee will be formed constituting the municipality administrator, mayoral representative, and CFO from each municipality. This sub-committee of six will decide the needs and specifics of the debt obligation and make presentations to each of their respective municipal bodies for consideration. The debt obligation would need to have a positive vote by both municipal governing bodies for the debt to be accepted and properly apportioned to the newly consolidated municipality.

Time period between election of new municipal officers and installation of newly elected officials.

If Sussex Boro and Wantage Township were to Consolidate through a positive referendum vote, no new debt obligations, excepting emergency notes issued pursuant to N.J.S. 40A:4-51, would be authorized and issued by any of the participating municipality with some limitations on the constituent school districts between date of election of new officers for the consolidated municipality, and the date of consolidation. These guidelines would be pursuant to the Statutes 40:43-66.70.

This would mean that after election, the governing body of either Municipality could not authorize any debt for any project or purchase, 5 year life or longer, from date of the election to the date that the new municipality is organized. However, if either municipality has an **EMERGENCY** such as a snow and/or water storm causes a road deterioration or a DPW Truck breaks down and there is a need for road improvement and a new truck needs to be purchased, debt could be authorize in which debt is issued in

Appendix L

the municipality it happen. Any emergency debt that is deemed necessary by one of the constituent municipality would need to be agreed by majority vote by the other municipality.

Sussex-Wantage School District

Since the Sussex-Wantage school district is already a consolidated governmental agency of the two municipalities, the general guidelines for passage of any debt obligation notes would remain the same.

High Point Regional High School District
--

If the High Point Regional High School District requires debt obligation bonds to be issued during the time period of a positive referendum vote and the installation of the new municipality's elected officials, the school district would need to obtain the positive vote of both town's populations individually in order for the debt obligation to be passed. This means that a majority vote of both Sussex Boro and Wantage Township would be required for passage. Even if the combined numbers of both municipalities presents a majority vote, both individual municipalities would need their own individual majority vote; regardless of the vote in the other municipal constituents of the High Point Regional School District.

Sussex Boro Water and Sewer System

Since the debt service of the water and sewer systems of Sussex Boro is paid through user fees and not through any taxes levied by the boro, it would not be affected in the consolidation of the two municipalities. The entity would continue to pay its debt obligations by the present and future users of its services.

Any improvements in infrastructure that would be required between the positive referendum vote and the installation on the new consolidated government would need approval by both communities governing bodies as described in the section of this report "Time period between positive referendum vote and election of new municipal officers".

Consolidation of Present Debt Obligations

Apportment of Debt Service of Boro of Sussex and Township of Wantage -2008 tax Rate of each Municipality

Borough of Sussex-

Debt Service Appropriate 2008 Budget:

Bond Principal:	\$30,000
*BAN'S Principal:	\$32,000
Bond Interest:	\$12,083
*BAN'S Interest:	\$15,884
Green Acre's Loan:	\$8,445

Total debt service- 2008 budget: \$98,712

2008 Net Valuation Taxable (NVT) \$79,675,912

\$98,712- divided by \$796,759.12 = \$0.171 per one hundred of NVT

Township of Wantage:

Debt Service Appropriated in Township 2008 Budget:

Bond Principal: \$440,000

Bond Interest: \$157,000

Green Acre's Loan: \$83,706

Total Debt Service -2008 \$680,906

2008 Net Valuation taxable (NVT) \$14,485,187.93

\$680,706- divided by \$14,485,187.93 = \$0.047 per one hundred NVT

****CONSOLIDATED COMMUNITIES:**

Debt Service Appropriated 2008 Budget:

Bond Principal: \$470,000

Bond Interest: \$169,083

*BAN'S Principal: \$32,300

*BAN'S Interest: \$15,884

Green Acre's Loan: \$92,151

Total Debt Service- 2008 Budget: \$779,418

**Estimated Net Valuation Taxable Using 2008 Assessment (NVT) \$1,568,771,859

\$779,418 divided by \$15,687,718.59 = \$0.050 per one hundred NVT

*BAN'S: Bond Anticipation Notes

**Information extracted from the State of New Jersey Aspects of Consolidating Sussex Borough and Township of Wantage Report Revised February 2009.

Public Works and Utilities Subcommittee Report Appendix M

Introduction

Concerns about the present status and future direction of the Borough's Water and Sewer Utilities were some of the most frequently and fervently raised apprehensions that members of the public from both the Borough and the Township brought forth during early consolidation discussions. Accordingly, this Subcommittee has studied this topic closely and will attempt to address many of those concerns along with more general concerns regarding the integration of Public Works services should consolidation be chosen by the public.

The Public Works Subcommittee was charged with reviewing the feasibility of consolidating the Public Works Departments of the Borough and Township and also with studying and recommending the future organizational structure of the Water and Sewer Utility under a consolidated municipality should such a direction be recommended. A substantial portion of this review deals with the latter topic mainly because it was one the public expressed they desired to be addressed.

This report is not meant to suggest there is a single possible future structure for Public Works Departments and Utilities. Wherever possible, we have attempted to review the advantages and/or disadvantages associated with the most likely future state(s) if multiple plausible outcomes were perceived. Note that there is nothing binding about any of the recommendations and judgments presented in the following. Ultimately, it will be up to the public to determine consolidation and to the future governing body to determine and implement the necessary changes.

Public Works Departments

The Borough and Township both possess Public Works Departments which have evolved in size to address the needs of the respective communities they serve. Sussex DPW currently consists of four full-time employees and one part-time employee, some of whom are at least partially dedicated to Borough Utility issues. Wantage DPW employs 14 people, most of whom are full-time yet some serve partially/wholly in other atypical DPW capacities such as Animal Control Officers. A significant difference between the two bodies is the fact that Wantage employees are covered under Civil Service (Title 11A) whereas Sussex is not. Furthermore, the majority of Township DPW employees have elected to be represented by a collective bargaining agent. When the same/similar job functions are compared side-by-side, it is clear that this difference has had a net effect of creating disparity in pay rates between the two municipality's Departments.

The respective missions of both the Borough and Township Public Works Departments are very similar with some small exceptions. Typical services such as road paving and repair, building and grounds maintenance, plowing and sanding of roads, storm water drainage installation and repair and vehicle maintenance are examples of the functions both Departments are responsible for in their respective municipalities. The minor exceptions, which were alluded to above, are mainly that the Borough's DPW also

oversees the maintenance of the Water and Sewer Utility and in the Township, Animal Control Officers fall under the DPW chain of command.

Personnel

Reports have been prepared and presented to the Committee by both Government Management Advisors, LLC as consultant to the Committee, and by our own Administration Subcommittee regarding the proposed organizational structure of a consolidated municipality including a new Department of Public Works (please refer to Appendix A - *Report on Possible Benefits and Drawbacks to Consolidation: Staffing* for the detailed analysis of this topic). It is the position of the Public Works Subcommittee that these reports sufficiently address the topic and, therefore, additional analysis and discussion are not required here. It is important to note, however, that not only are the above reports in consensus with each other, but they have been determined to be in consensus with this Subcommittee's overall findings as well.

Equipment/Facilities

Presently, both Sussex and Wantage Public Works Departments each owns and maintains their own facility consisting primarily of a garage for equipment and yard for equipment/materials storage. Sussex utilizes a facility on Brookside Ave. near the former Borough sewage treatment plant, whereas Wantage utilizes the garage to the rear of the Wantage Municipal Complex off Rt 23. If consolidation proceeds, it seems likely that the Sussex facility would be idled or would serve as a satellite facility to the yard at Wantage purely from a logistics standpoint.

Wantage and Sussex DPW's have a long history of cooperation and have operated under an unwritten "handshake" agreement for many years whereby if one town needs to use a piece of equipment that the other town owns and is not currently using, the item can be borrowed upon request. A formal shared-service agreement did exist relating to the use of the Township's salt shed that for reasons not known to this Subcommittee has become inactive. However, at least one written shared-services agreement remains in place regarding the use of the Township's fuel pumps for Borough vehicles. Despite the current shared services agreements, which undoubtedly have resulted in cost savings to both municipalities, there remain, nonetheless, areas where efficiencies simply cannot be realized short of full consolidation. Duplicate pieces of equipment exist even where significant spare capacity may be available in one DPW because of the necessity to provide foremost for service requests of one's own municipality. If any conflict of need arose, typically the municipality owning the equipment would prevail. In a consolidated municipality, although conflicts of equipment will still arise, it would rest on the DPW Supervisor and/or Administrator to resolve in the best interest of the entire consolidated municipality. Note though, that due to the age and depreciated value of most currently owned equipment, it is unlikely that there is substantial opportunity to sell off redundant equipment for anything more than a negligible one time gain. Beyond this, the Public Works Subcommittee holds that a detailed discussion on equipment ownership and the integration thereof into a consolidated Department is beyond the scope of this review.

Roads

Wantage Township has 130 miles of maintained roads and Sussex Borough has 12 miles as of 2009; statistics that are arrived at primarily due to the disparate sizes of the two municipalities. Due to the corresponding levels of development in each of the municipalities, it is expected that the Borough will add negligibly to their total miles of maintained roads whereas the Township has the potential to continue to add to their already significantly larger number if even modest development continues. The geographical layout of the two municipalities has always presented a logistical problem mainly borne by the Township; this was referred to in the *1973 Feasibility Survey of Municipal Consolidation for the Borough of Sussex and Township of Wantage* as the “hole in the middle of the donut” scenario. Township public works personnel seeking to render services to all corners of the Township are forced to traverse the Borough frequently because many of the region’s larger thoroughfares pass through or intersect in the Borough. This wasted travel time has always been accepted as a necessity but certainly presents itself as a possible opportunity for the elimination of waste if consolidation proceeds. The potential also exists that crews could be dispatched from more proximate garage locations if multiple facilities remain in use after consolidation as well.

Other Services

There is one public service in particular that has been presented as a concern of the public should consolidation be recommended because currently Solid Waste Collection is a service currently provided by the Borough but not by the Township. Correspondingly, residents of the Borough have expressed apprehensions that their services would be terminated and Township residents have shown concern that they might be forced to pay for a service that they have learned to function without. For the sake of this report, Solid Waste Collection will be considered to encompass, but may not be limited to, regular curbside garbage and recycling pickup as well as seasonal leaf and Christmas tree collection.

The only equitable answer to this situation is to expect that those receiving the service ultimately bear the costs to provide it. One option for this in a consolidated municipality would be to establish a Solid Waste/Recycling Utility whereby those residents wishing to obtain/maintain the service would pay some usage fee. The advantages of this structure are manifold. First, a separate budget would be required to be established for this Utility that would be 100% dedicated to the rendering of the service. All residents from both municipalities would have a choice to opt in or out; something that does not currently exist in either municipality. Those that chose not to participate could be assured that their taxes were not being used to pay for something they did not want. Finally, unless specifically excluded by the future governing body, third party collectors that already function in the Township could be chosen over the Utility and might potentially provide the healthy competition that would necessitate the Utility’s efficient operation.

Utilities

The Borough of Sussex currently owns and operates a Water and Sewer Utility for the benefit of its residents. As a purely secondary benefit, this Utility also serves some neighboring businesses and residences in Wantage. The water and sewer systems were established in the early 1900's and since then have been adapted according to the needs of the community but always balanced by the capital available to address those needs. Both systems currently meet all regulatory requirements and are both self-liquidating; this according to the thorough report *Overview of Borough of Sussex Water and Sewer Utility* prepared by Government Management Advisors at the request of the Committee (See Appendix H). Total debt service required for the Utility peaked in the previous fiscal year at \$535,283 and gradually reduces until fully satisfied in just over 25 years. Many more details on the history of how the Utility evolved can also be found in this report as well as detailed discussions on the Utility's current operations, budgeting and staffing.

Water

The Water Utility primarily consists of the following elements: Lake Rutherford, Colesville Reservoir, the Sussex Borough Water Treatment Plant which includes a 300,000 gal storage tank, a 12 inch supply main, a 500,000 storage tank and the remaining distribution system consisting of mains, hydrants, meters and taps. Ironically, the first four of these items lay entirely/substantially within Wantage Township. The Water Treatment Plant is currently operated under contract which leaves Borough employees responsible only for management of the distribution end of the system, the reading of meters and the preparation and collection of Utility bills. The customer base as of 2008 numbered 732. Of those 617 were from Sussex. The majority of Township residents and businesses utilize private water wells for water supply, but 115 conveniently located commercial and residential users currently make use of the Sussex Borough Water Utility.

Current utilization of the Water system capacity as authorized by NJDEP is less than 50%. Physical capacity limitations of the other major system components such as the Water Treatment Plant and safe yield from Lake Rutherford are actually substantially higher and, if expanded permission could somehow be obtained from NJDEP, would safely allow for the doubling or tripling of current usage without incurring any additional expense for system expansion (See Appendix H for detailed analysis of system capacity).

Sewer

Unlike the Water system, Sussex Borough's Sewer system originally existed and operated entirely within the Borough including the treatment and discharge of effluent. As of 1994, the Borough began delivering sewage to the Sussex County Municipal Utilities Authority's Upper Wallkill Wastewater Treatment Plant via a new pumping station and force main that were installed after NJDEP order. The Sewer system customer base mirrors quite closely that of the Water system, as might be expected, with a few notable exceptions; those primarily being that there are only two Wantage-based customers to the Sewer system and a single Hardyston-based customer.

The capacity of the Sewer system is controlled through agreement with SCMUA, with the agreement actually specifying minimum and maximum permissible average daily usage (discharge). The major problem of infiltration and inflow (I&I) has plagued the Borough Sewer system, however, and caused any meaningful capacity analysis to be uncertain at best. Notable recent progress has been made toward addressing this issue based upon statistics listed in Appendix H. If indeed this issue is eliminated or even significantly abated, it likely means that there would be approximately 40% excess system capacity available that could be sold to customers in either municipality, or more importantly, a consolidated municipality.

Conclusions

The Borough Water and Sewer Utility probably represents the single most significant asset possessed by either municipality that would need to be reconciled in the event consolidation proceeds. It is no great wonder why concerns from Sussex residents regarding consolidation often had the similar theme of “Wantage just wants our water and sewer”. The Subcommittee finds this view, however, to be rather shortsighted. This view fails to see the Water and Sewer Utility as the major tool for shaping development/redevelopment within the region that it is. It also falls short of recognizing that it is truly in the best interests of both municipalities to maintain a viable and efficient Utility and, if necessary, expand the resource. The Utility can practically be viewed as a possession of both municipalities’ residents already; consolidation of the two municipalities simply allows the Utility to function as such. Appropriately leveraged through a refashioned Master Plan and a consolidated municipal governing body, a much more cohesive vision of the future community could be obtained.

The contrary view expressed by Wantage residents that the Utility would become a serious financial burden to a consolidated municipality is likewise not supported. The Public Works and Utilities Subcommittee recommends that the Water and Sewer Utility be maintained as a self-liquidating utility in the event of consolidation. This structure has the advantage of a separate budget and operation that basically costs only those that make use of the Utility’s services. As opposed to the option of forming a separate authority, the utility structure would be managed under the guidance of the consolidated municipality rather than a separated governing body.

Additionally, Government Management Advisors presented nine concluding points in their report *Overview of Borough of Sussex Water and Sewer Utility* (Appendix H). This Subcommittee supports these conclusions and recommends that they be considered by the governing body of the consolidated municipality in conjunction with the contents of this Subcommittee Report.

Finally, it is worthwhile noting too that the previous consolidation study (*1973 Feasibility Survey*) presented a very similar perspective over 35 years ago. That is, that the two municipalities both brought unique yet complementary assets to the table; specifically that “Sussex would provide the basis for water and sewer utilities while Wantage would provide the basis for [other] items”.

Addendum

An important issue came to the forefront after the proceeding report had been drafted, but was deemed to be of significant importance and relevance to the above that that the following Addendum was added to capture the topic so as to be included with the Commission's Final Consolidation Report. The issue specifically relates to the proposed removal of lands by the Department of Environmental Protection that are currently designated for sewer service in the existing Sussex County-Wide Wastewater Management Plan. A sewer service area is identified land that has either existing sewer infrastructure or is adjacent or otherwise near to sewer infrastructure, and as such is capable of being considered for future development. Sewer service area planning is a tool that is claimed to be used for, among other things, the protection of environmentally sensitive areas from adverse water quality effects. It is ostensibly for these reasons that DEP guidelines propose the removal of large amounts of land from designated sewer service areas. Effectively, the proposal at hand would reduce the Borough's sewer service area by 8.5% (27 acres) and the Township's area by 48% (160 acres). At stake is the development feasibility of significant commercial or commercial/residential zoned lands located mostly in Wantage that are, in many cases, directly adjacent to the Borough's sewer force main that runs along the Rt 23 corridor to the SCMUA Treatment Plant in Hardyston. Due to the potential for detrimental economic effects to both municipalities, the two governing bodies have attempted to seek further dialogue with the State on the matter and have requested that the Commission also make note of the potential adverse effects to the consolidation process that such a proposal might have. The Commission agrees that the topic of sewer service areas is relevant to the process of consolidation and has brought this to the attention of the Department of Community Affairs via letter with the intention that further discussion on the issue might be facilitated expeditiously. The outcome of such discussion is not likely to be known prior to the completion of the Commission's Final Report.

Public Works Subcommittee:

Wayne Dunn

Alonso Little

Appendix N



State of New Jersey
DEPARTMENT OF COMMUNITY AFFAIRS
101 SOUTH BROAD STREET
PO Box 803
TRENTON, NJ 08625-0803

JON S. CORZINE
GOVERNOR

JOSEPH V. DORIA, JR.
COMMISSIONER

March 31, 2009

Mr. Earl Snook, Chairperson
Joint Consolidation Study Commission of Wantage Township and Sussex Borough
c/o Lee Abbott, Secretary
4 E. Main Street
Sussex, New Jersey 07461

Dear Mr. Snook:

This letter is in response to your letter to the Local Finance Board, received on February 13, 2009, filed pursuant to N.J.S.A. 40A:65-26(b)(3), requesting departure from State law or rules concerning matters related to the municipal consolidation study being undertaken by your Commission.

Specifically, you asked questions concerning: 1) N.J.S.A. 40A:14-34 and contributions municipal governments can make to volunteer fire companies; and 2) N.J.S.A. 40A:14-183 et seq. concerning Length of Service Award Programs (LOSAP) for volunteer fire and rescue organization members.

After review, it has been determined that these questions come under the oversight of the Division of Local Government Services; the matter of volunteer fire companies as a budgetary matter, and LOSAP under the Division's statutory and regulatory oversight over LOSAP programs.

Your first inquiry concerns the amount of financial support that the Borough of Sussex and the Township of Wantage would be able to provide to the volunteer fire departments serving the two municipalities pursuant to N.J.S.A. 40A:14-34 should the question of consolidation be recommended and approved. You indicated that the amount of financial support that the Borough of Sussex and the Township of Wantage presently provide as separate municipalities to the two companies, pursuant to N.J.S.A. 40A:14-34, falls within the total amounts that each of the municipalities is individually permitted to provide under that statute.

You further note, however, that should the question of consolidation be recommended and approved, the total amount of financial support presently being provided to the two fire departments by the two municipalities, \$162,810, would exceed the total amount that N.J.S.A. 40A:14-34 permits a single municipality provide. Accordingly you inquired whether, upon consolidation, the consolidated municipality would be permitted to continue to provide the same amount of the funding support as the two individual municipalities are presently providing to the two fire companies or whether the amount



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of financial support provided by the consolidated municipality would be reduced to the maximum amount that one municipality may provide under N.J.S.A. 40A:14-34.

Having considered your question, it has been determined as follows:

1. Should the question of consolidation be recommended and approved, the consolidated municipality would be permitted to continue to provide the current amount of the funding support as the two individual municipalities presently provide.
2. The application of this principle would also extend to circumstances where the amount being contributed by municipalities is any amount, up to maximum amount allowed by law, so that the volunteer companies relying on such funds would not receive a reduced amount, unless subsequently determined by a future governing body.
3. If the amount provided at the time of consolidation is less than the maximum allowable by law, the governing body of the consolidated municipality would be allowed to increase financial support to the maximum amount allowable as if the municipalities were separate.
4. These determinations of continued provision of funding support to fire companies has been found to be consistent with the statutory purposes of N.J.S.A. 40A:65-25 et seq. and to be a reasonable means to further the process of consolidation.

In your second inquiry, concerning the length of service award programs that have been established by the Borough of Sussex and the Township of Wantage, you indicated that the programs established by the two municipalities are identical. Further, you indicated that the programs were approved by referenda that were conducted in each of the municipalities upon the express condition that the identical programs would only be established if the referenda were approved in both municipalities.

Under these circumstances, you are advised that, should the question of consolidation be recommended and approved, the length of service programs established by the Borough of Sussex and the Township of Wantage would continue without change as a consolidated length of service program and without the need to take any further action in this regard, and that there would be no need for a question concerning this matter to appear as a ballot question if consolidation is considered by the voters.

We hope this satisfactorily resolves your concerns.

Sincerely,



Susan Jacobucci, Director
Division of Local Government Services

SJ/MP

FORM OF GOVERNMENT

Appendix O

After a lecture on the different forms of government, a long discussion and each person on the SWCSC studying all the possibilities, the commission has come to the following recommendation.

The new consolidated government should be formed under the Faulkner Act and use the Council-Manager form. It will be a partisan government where the elections are held in November and the new electorate would be sworn in on January 1st. The electorate would elect 7 council members, including a mayor. The community could consist of wards or at-large areas. This discussion lasted and then was tabled until our next meeting. Should there be wards, there could be 4 with 2 at-large areas or all wards. The terms of the elected officials would be 4 years terms and some 2 year after which they would be staggered.

The discussion on the form of government will continue on April 1st, after which a final report will be written.

Final Report from the Planning and Zoning Subcommittee of the Sussex Wantage Consolidation Committee

Appendix P

This report, as requested by the commissioners of the Sussex Wantage Consolidation committee is an examination of possible uses of land within the confines of a newly consolidated township of the existing towns of Sussex and Wantage. As a subcommittee we have first related the history of these two towns, examined possible land usage now not available to each town separately, examined a wastewater management plan created by the Public Works and Water/Sewer Utilities sub committee (Appendix H) met with the state EPA, DCA and the New Jersey Department of Community Affairs Office of Smart Growth, discussed the ramifications of this new land usage with Township Engineers and identified the areas of possible "Mixed Use Building" in existing land particularly on the Route 23 corridor, south of Sussex Borough. By examining the history of these two towns, the planning involved in consolidation, creating a realistic 5-10 year plan and recommending a Charrett, this committee attempts to show where the future will bring these two towns.

History:

New Jersey is a state with 566 municipalities. There are more municipalities per square mile than any other state in the nation. Pulitzer prize poet Steven Dunn has said, "New Jersey's gift to its poets is that it's a place of many places." That being said it is also a place of redundancies. Considering the population of New Jersey is roughly one government runs the same as New York City's and the city is telling. A commission in Trenton called the Local Unit Alignment, Reorganization and Consolidation Commission has recommended twenty-six possible mergers in North Jersey communities and the South Jersey recommendations are expected later this month. Sussex Wantage is one of these recommendations.

This does not come out of the blue. Not only has there been a recommendation to consolidate before (1973) but also the shared services, most notably in Education, has long lent the two communities the sense of shared destiny. In fact the history of the two towns has always been symbiotic. Originally the land that is now Sussex Borough was part of Wantage. Wantage originally incorporated on May 30th, 1754. "Deckertown (Sussex Borough) was a part of Wantage Township until October 14, 1891, when it separated and in 1902 became Sussex" (Lawrence King, Our Wantage Heritage, 1976). As a matter of fact, according to King, township meetings, until 1891, were held in various homes "both in the Township of Wantage and in Sussex, then Deckertown" (King 6). The actual octagon that informs Sussex's boundaries were originally defined in an article in the Independent newspaper that stated, rather hilariously, that:

Beginning at a point due west, distant 2500' from an iron driven in Main Street, in the village of Deckertown, in front of Thomas Armstrong's stone storehouse, and 49.5' from the west corner thereof, and also 59.6' from the south corner of Emily C. Dickson's brick store building, and also 58.1' from the angle of the "Union Block", between the windows northeast of

the door in the banking room of the Farmers National Bank, from said distant point (1) north twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (2) north twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (3) south twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (4) south twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (5) south twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (6) south twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (7) north twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links; (8) north twenty-two degrees and fifteen minutes east, twenty-eight chains and eighty links, marking an octagon containing 400 acres (**actually incorrect, 569.7 acres closer number**), the perimeter of which is two hundred and thirty chains and forty links, each corner designated in the said perimeter is two thousand five hundred feet distant from the said iron post in Main street in the village of Deckertown. (Independent 9 October 1891)

Simply put, an iron stake was driven into Main Street, somewhere in the middle between the four buildings on each of the corners of Main Street, and measuring out they carved a borough out of Wantage. Peter Decker was responsible for this outline of Deckertown and although he should have had all the rights wherein, people from the state “by quit claim and release, sold large tracts of land to those who had cash who claim their land and dispossessed those who had settled on it without claim. The settler didn’t have title and was out. (Stickney 67) Whatever the case may be, most of the Victorian cottages built along Main Street, Bank Street and Walnut, Sycamore, Maple were built wither in 1891 or in the next ten years. The newspaper hat published these sales was originally called the Independent but on Jan. 12, 1894 becomes the Wantage Recorder.

With the creation of Sussex Borough (Deckertown)_ in 1902 the two townships histories begin. While other independent areas of Wantage such as Clove, Libertyville, Colesville, Beemerville (Plumbstock), Mt. Salem, Lewisburg, just to mention some, Sussex Borough became an incorporated town. They have remained in this state for the past 107 years. Considering Wantage became a township on May 30th, 1754, Deckertown was a part of Wantage longer (137 years) than it has been independent. An interesting point to consider now that the two towns are considering consolidation. While history cannot be the reason for consolidation it can be an indicator of the original intent of those who settled the area. Sussex is an I square mile octagon in the middle of a township, that is according to King, 67.9 square miles.

Planning for the Sussex-Wantage Township

Planning for the Sussex-Wantage Township circa 2011 includes planning for land use for the new town. One of the essential elements in this discussion is the use of water and sewers in areas where the utilities also exist. What is also essential to this discussion is how this new landscape will offer benefits to the taxpayers of both communities.

Essentially, according to Ken Nelson, Sussex Borough Engineer, Sussex has little available land/space (15%) for new homes or businesses therefore new ratables. Its growth is severely limited and therefore it will remain the priority of the town to keep the costs of its infrastructure as minimal as possible. While Wantage has land for development, this development is hampered by the lack of Wastewater management solutions. According to David Troast the Wantage Township engineer the real growth area in Wantage will be the Route 23 South of Sussex Borough from the area around the Quick Check to at least the area below the new town center. Indeed Wantage already has plans for mixed use building area that will connect the new road by the Quick check to the area around the Wantage center. If Wantage continues to be an independent town it would need to petition the state to designate this as its "Town Center." Sussex already is designated as a "significant center" on Wantage's plan with the state, according to Jim Doherty. Ken Nelson argues it is only natural that Sussex Borough continues to be Wantage's town center and therefore this area of Wantage that is newly created is in essence an extension of that town center. The new area would have sidewalks, a "walkable center" and if it is part of a new consolidated town it would be create a significant amount of ratables through denser housing alternatives and sewer and water customers. Indeed the amount of money that could be taken in from this new area, is to be in the millions. Considering that the main line runs under route 23 right past this proposed area, the inclusion of these sites seems natural, David Troast even argued that if the two town's don't consolidate "the state is going to force you to talk to each other anyway." The need to have two plans to the state for both towns is already pressing, by combining it would allow the two towns to merge the plans and give them time to prepare a realistic 5-10 year plan.

A realistic 5-10 year plan:

In order for the two township's citizens to be informed voters they need to see a model of what the future holds for a consolidated town. Because land use cannot be predicted and because so much is riding on the waster water management, it is difficult to predict, but it is certain that building will continue in Wantage. The realistic development model then would set up zones of development for the new town. This unified master plan would then be submitted to the state, but it all depends on the NJDEP changing its position on the area of growth south of Sussex on Route 23. On Thursday, May 19th, 2009 Marc Pfeiffer of NJ Dept Community Affairs, Kate Meade, Alan Miller and Ben Spinelli from the Office of Smart Growth, Nick Angarone from the NJ Dept of Environmental Protection, and a representative from the Governor's office met with Jim Doherty, Ken Nelson and Ed Meyer. Mr. Doherty presented a plan that would allow for growth in hopes that consolidation would guarantee further advancement of the new town's growth model.

Marc Pfeiffer began the meeting with a general statement, making it clear that there was no jurisdiction available for any other state agency to pressure NJDEP into changing its position or abandoning its regulations. Mr. Pfeiffer stated that the pursuit of consolidating towns, in and of itself, cannot be used as a means by which to obtain approval for wastewater management plans and sewer service areas. Mr. Doherty

explained that Wantage and Sussex understand this, but are interested in a dialogue to see if options may be available that otherwise would not be given consideration because of the consolidation effort.

All representatives of the State agreed that this was indeed possible. Specific emphasis was made by Mr. Spinelli, and agreed with by the other State representatives present, that regardless of whether or not the actual consolidation of the two towns becomes an accomplished fact, the issue of future wastewater management should be a joint planning effort between Wantage and Sussex, and that such a joint planning effort will provide an opportunity to open up the door for consideration of additional sewer service areas.

Mr. Angarone from NJDEP offered the following input and indicated that the NJDEP would be willing to entertain individual applications on a project-by-project basis and review data and input provided to support any future application for inclusion in an approved sewer service area. Members of the Sussex and Wantage contingent indicated that such an application process can be both time consuming and extremely costly, and requires a willing developer to act as applicant for that process. Mr. Angarone acknowledged that as true, and indicated another process by which the towns can accomplish the goal of obtaining additional approved sewer service area is through the Plan endorsement process (commonly referred to as "Center Designation" process) through the Office of Smart Growth. Mr. Spinelli and Mr. Miller indicated that while Wantage had started the process of Plan Endorsement on its own behalf, it would be a smart decision for both towns to consider having Sussex begin this process as well, under a joint Plan Endorsement application between Wantage and Sussex. Mr. Spinelli pointed out that the proper planning of future wastewater management will require interaction between the two towns regardless of whether consolidation happens or not, and such a joint effort provides the window of opportunity each town is asking for, in terms of obtaining additional sewer service area.

Mr. Doherty asked for assurance that Wantage would not have to "go back to square one" in the Plan endorsement process since local tax dollars and planning effort have already been used in the Wantage process so far. Mr. Spinelli agreed that this would not happen - in effect, Sussex could "catch up" to Wantage in the planning process and the two towns could move forward from there. Mr. Doherty then asked for an assurance that, after making this effort, there would not develop a catch-22 situation in which Office of smart Growth would say "thanks for your efforts but we have to say no to additional sewer service area because it does not fit into NJDEP regulations". Mr. Spinelli and Mr. Angarone both assured all present that this would not happen. Assurance was provided that if the two towns followed the Plan Endorsement process of Office of Smart Growth, then additional sewer service areas could be approved.

In essence, the Plan Endorsement process represents an alternate route for approval of sewer service areas. Thus, the members from Wantage and Sussex left the meeting with a feeling of cautious optimism, at least to the extent that a door has been opened for us to take action, rather than to feel completely frustrated regarding our local planning efforts for wastewater management.

This meeting goes to the heart of the consolidation effort. What Mr. Doherty and others are arguing for the concession from the state that if the two towns go through with this process that there will be allowances from the state agencies to make this a better town, for all constituents, with a comprehensive plan for 21st Century growth.

The “Charrett”

The final stage in the planning of the new town will come after ratification of the consolidation. Within weeks the governing bodies of Wantage Township and Sussex Borough should call a Charrett. A Charrett is set up by professional town planners and engineers who set up displays of prospective town maps and possible building projects which are then reviewed by the town’s citizenry. Everyone in both towns will be asked to attend at different times, with focus groups attempting to divine public opinion about the new town. Such things as names, projects, town centers, future growth would be explored. These are usually 2-4 day planning session. A professional planning company should run this Charrett with the assistance the planners and engineers from both Wantage and Sussex: Harold Pello, David Troast, Ken Nelson and Mike Vreeland. This group of professionals will take the input from the community into consideration as they plan for the next five to ten years in the town’s growth. They will present maps, sketches, growth models and possible problems to members of the community. There should also, at this point, be market research done to reach all the citizenry to discuss not only development plan but also the priorities of the community. The cost of the Cherrett and also the market research must be covered by the transition fund. The cost is approximately\$150,000.

The New Town’s Center

What will the new business zones or areas of Sussex-Wantage Township look like? Included in this report are maps of the areas in question. Simply put the octagon shape of Sussex will now be conjoined via Route 23 with the Wantage business area, which, if the wastewater issue is resolved, will create a second center, joined in the middle by the bridge over the old railroad tracks by the AP. Is it a perfect plan? Probably not, but just think how Sussex Borough began with a man and his metal stake in the middle of Main Street.

