

**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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JOSEPH V. DORIA JR., Commissioner

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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,

  
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.

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## **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 process<sup>1</sup>. 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)

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<sup>1</sup> 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
<b>Adjusted Appropriations*</b>	1,249,508	1,218,167	(2.5)	(0.3)
<b>Municipal Tax Levy</b>	273,293	600,454	119.7	8.2
<b>Taxable Value<sup>^</sup></b>	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 (%)
<b>Appropriations</b>	4,578,463	6,324,460	38.1	3.3
<b>Municipal Tax Levy</b>	1,625,090	2,752,555	69.4	5.4
<b>Taxable Value<sup>^</sup></b>	580,371,620	1,421,853,168	145.0	9.4

<sup>^</sup> 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

*February 2009*

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)<sup>2</sup> 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.

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<sup>2</sup> 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 though 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\***

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

<b>Tax</b>	<b>2008 Wantage Township (\$)</b>	<b>Consolidated (\$)</b>	<b>Difference (\$)</b>
<b>Municipal Tax Levy</b>	609	671	62
<b>Sussex-Wantage Reg. Levy</b>	2,790	2,786	(4)
<b>High Point Reg. H.S. Levy</b>	1,475	1,484	9
<b>County Tax Levy</b>	1,197	1,197	0
<b>Total</b>	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 (%)
<b>Sussex</b>	207,000	554,690	761,690	10.6	9.7
<b>Wantage</b>	3,705,000	2,716,384	6,421,384	89.4	90.3
<b>Combined</b>	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.*

## **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 tracts. 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**

<b>Borough of Sussex</b>												
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
<b>Township of Wantage</b>												
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  
262 White Lake Road  
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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. Percentage Share of the Total Equalized Assessed Value Assigned to High Point	60,235,148	320,780,667	151,887,203	49,920,491	461,434,102	1,044,257,611
	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**

	<b>Branchville</b>	<b>Frankford</b>	<b>Lafayette</b>	<b>Sussex -Wantage</b>	<b>Total</b>
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 % of Students at HPRHS	-5.12%	11.28%	4.41%	8.18%	7.63%
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

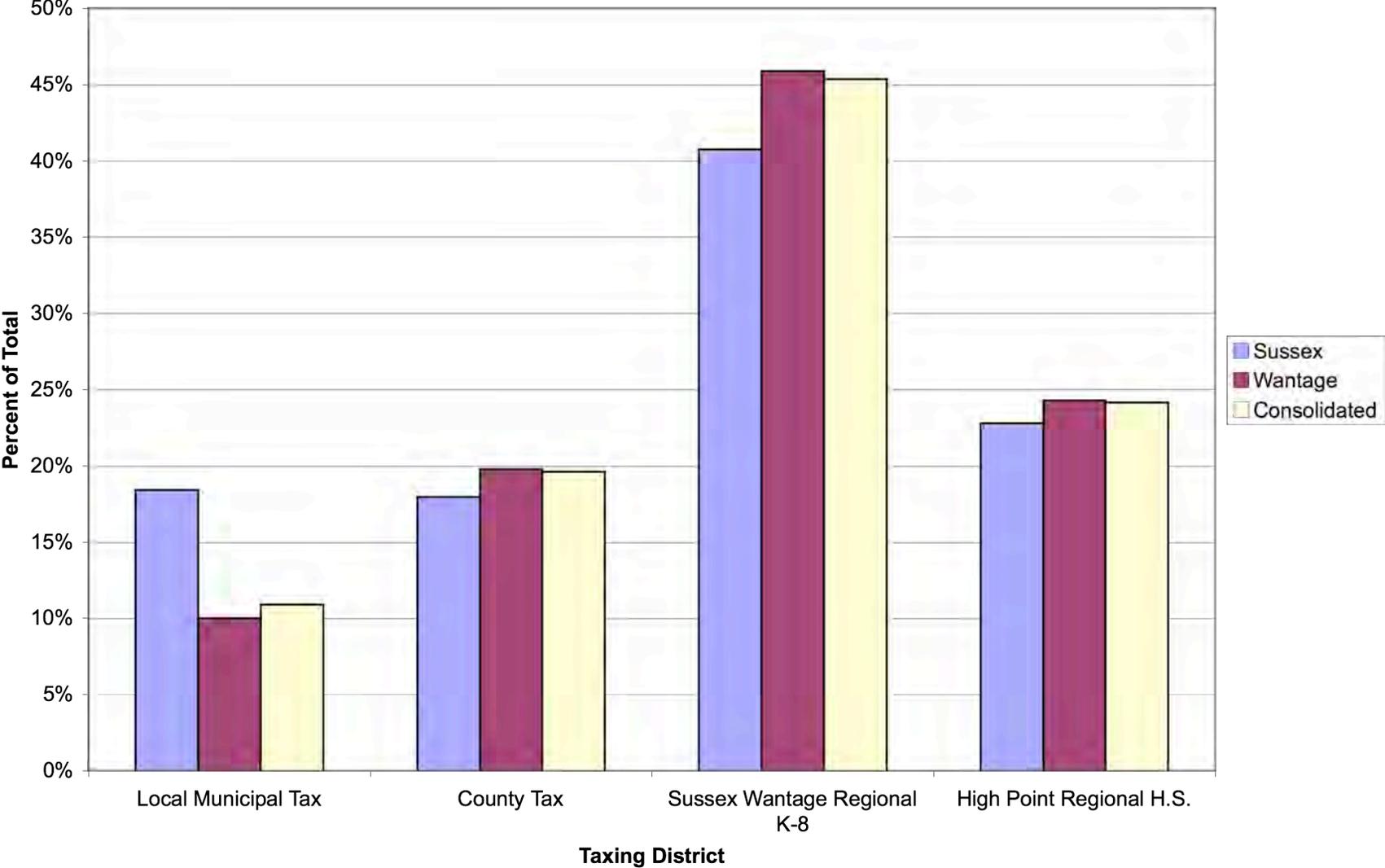
	Combined (\$)	Percent of Total (%)
<b>Municipal Tax Levy*</b>	3,425,435	11.1
<b>Sussex Wantage Regional Levy</b>	13,930,130	45.2
<b>High Point Regional H.S. Levy</b>	7,412,647	24.1
<b>County Tax Levy**</b>	6,026,142	19.6
<b>Total</b>	30,794,354	100.0

*\*Includes Municipal Open Space*

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

# Appendix F

## Apportionment of Property Tax Dollar



## 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	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	*
<b>TOTAL TAX RATE</b>	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
<b>Total Tax Levy</b>	<b>3,254,329</b>	<b>27,540,025</b>	<b>30,794,354</b>

**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)**

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

**Analysis of Compensated Absence Liability**

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

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

**Analysis of Compensated Absence Liability**

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