

Finance Subcommittee Report

October 2012

- **Savings** estimates of TTF staffing recommendations and 3-year (full implementation) projections based on a TTF baseline and JSSCC recommendation
- **Transition Costs** and Coincidental Costs
- **Funding Sources/Offsets** for Transition Costs
- **Report** on Operating Budget for 2013

Executive Summary

Savings

- Savings projections for 2013 are at least 40% *greater* than the JSSCC estimate (\$2.26m vs. \$1.61m)
- Long-term (3 year full implementation) savings projections give the governing body the opportunity to exceed the \$3.32m savings estimated by the JSSCC
- Accelerated staffing changes completed this year will result in ~\$705,000 in savings to assist in offsetting transition costs
- Preliminary operating budget savings is estimated at \$350,000-400,000 annually – this is *in addition* to staff savings identified above

Executive Summary

Transition Costs

- The JSSCC estimated approximately \$1.7m in total transition costs. While they included a placeholder for separation costs, they did not include an estimate
- Including separation costs, we estimate transition costs to be approximately \$2.0m
- Accelerated staffing changes completed this year will result in ~\$705,000 in savings to assist in offsetting transition costs – these savings were not anticipated
- In addition to the \$705k offset, the municipalities will receive a 20% reimbursement from the state of New Jersey and they have also received \$500,000 from Princeton University

Staff Savings

Savings From Staffing Recommendations

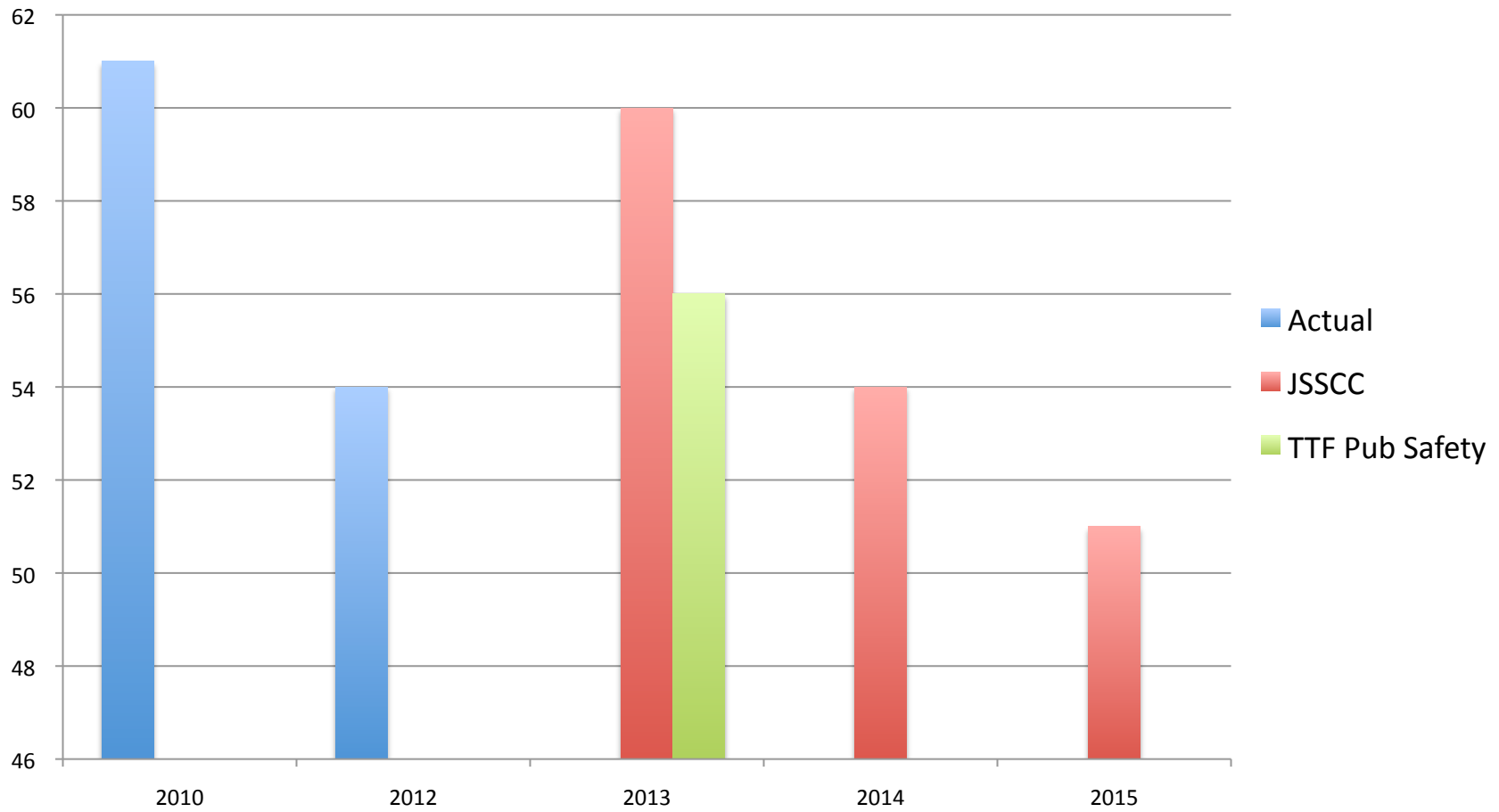
- In its report, the JSSCC identified \$3.321 million of savings from staffing changes at full implementation in year 3
- We used same methodology to review the TTF staffing recommendations and compared them to the JSSCC report
- JSSCC savings were increased for inflation to reflect slightly higher salary & benefit levels in 2012 compared to 2010 (e.g., \$3.321m is now \$3.610m)

Savings From Staffing Recommendations

Special Notes

- We included Salary Harmonization costs in these projections & as a Transition cost
 - Double counted in 2013
- The Public Safety Subcommittee only recommended an initial staffing level for Sworn Officers (56); the JSSCC recommended further reductions beyond yr 1 (60, 54 & 51 Sworn Officers in yrs 1, 2 & 3)
- Due to attrition there are presently 54 Sworn Officers

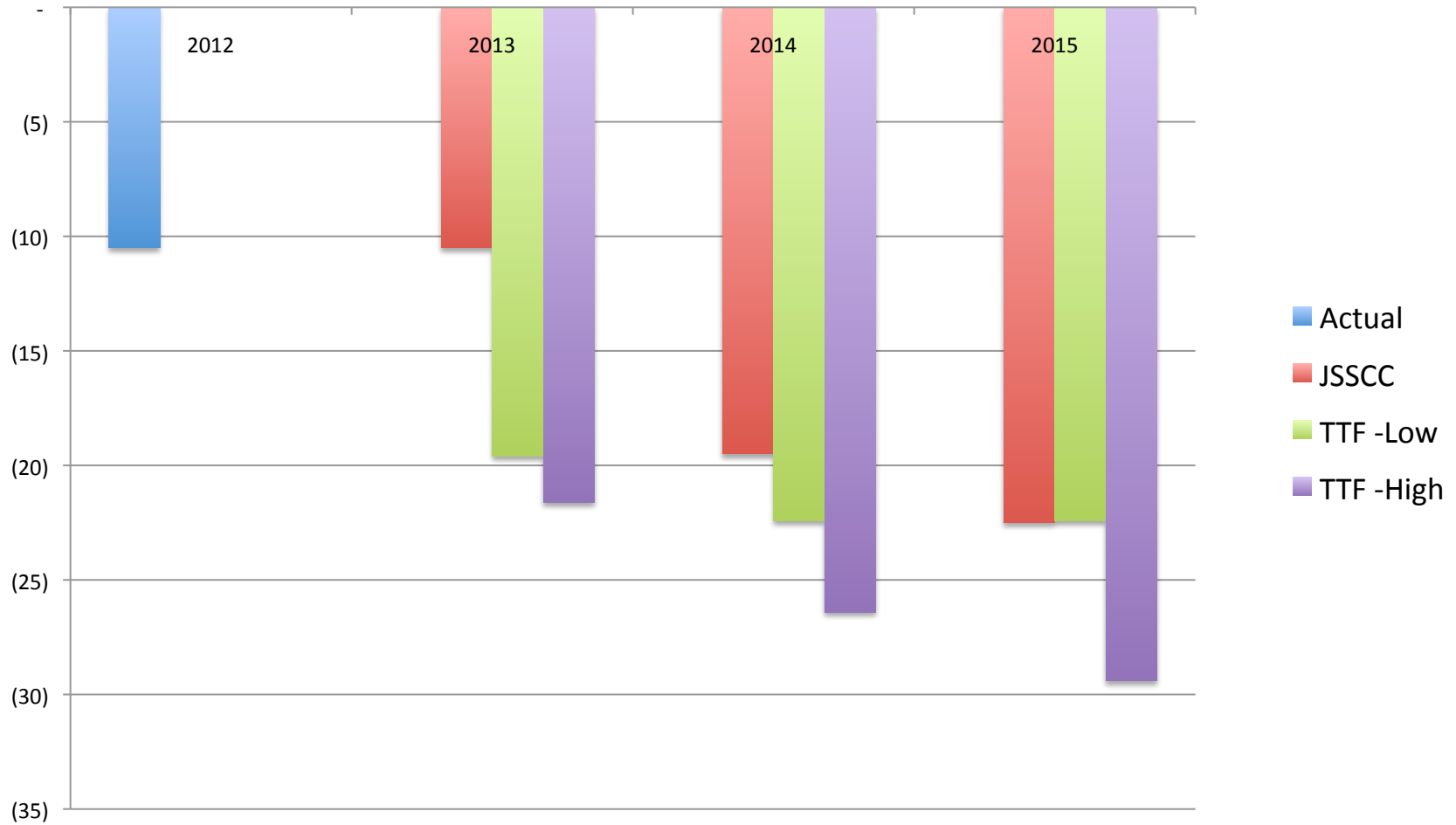
Sworn Officer Staffing



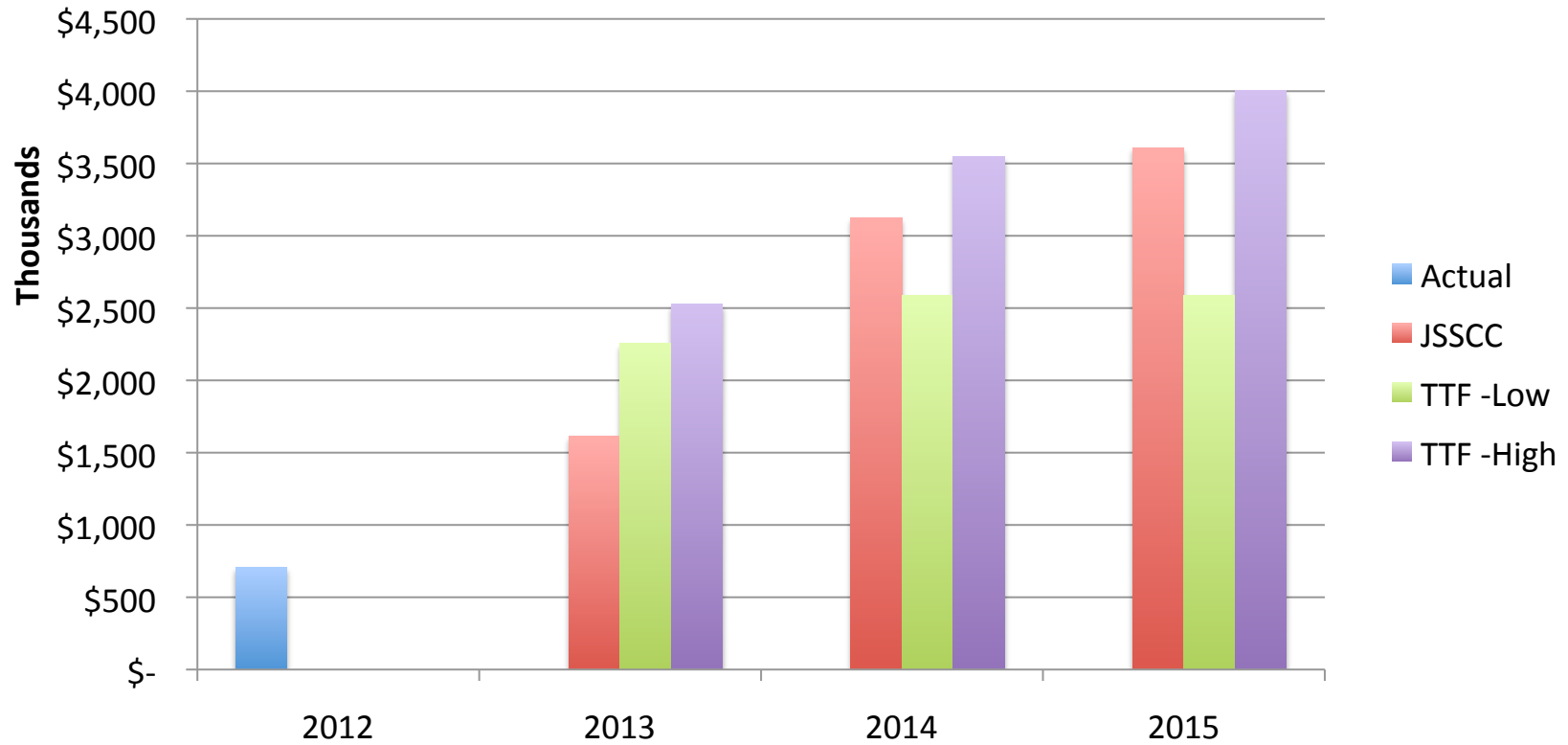
Savings ranges – Low and High

- Finance Subcommittee created ‘low’ and ‘high’ projections:
 - Low assumes Sworn Officer staffing remains at Public Safety recommendation (56 officers)
 - High assumes the current Sworn Officer staffing level (54) through 2014, then it is reduced per the JSSCC recommendation to 51

Total Staffing Changes vs. Baseline (~250 FTE's)



Savings vs 2012 Baseline Staffing



	<u>Actual</u>	<u>JSSCC</u>	<u>TTF -Low</u>	<u>TTF -High</u>
2012	\$ 705,000			
2013		\$ 1,612,000	\$ 2,255,000	\$ 2,525,000
2014		\$ 3,125,000	\$ 2,586,000	\$ 3,546,000
2015		\$ 3,610,000	\$ 2,586,000	\$ 4,003,000

Savings From Staff Reductions

- Savings are ahead of expectations – based on the low projection we will have 40% greater savings than projected by the JSSCC for 2013
- Continued opportunity to save more than initial consolidation expectations at 3 year full implementation – *this will be a decision for the new governing body*

Transition Cost Update

Transition Costs: Costs incurred to implement Consolidation; costs that would not otherwise have been incurred in the near future

Coincidental Costs: Costs that would have been incurred in the near future regardless of Consolidation; timing may have been triggered by Consolidation.

In some cases, our estimates are preliminary, based on Not-To-Exceed contracts, and/or still subject to review & approval by Council/Committee

Transition Costs and Coincidental Costs of Consolidation

	FINANCE SUBCOMMITTEE EST.	
	Low	High
	<u> </u>	<u> </u>
All Transition Costs		
General Government	\$ 1,310,439	\$ 1,332,939
Public Safety	582,485	599,985
Public Works	68,000	98,000
Transition Task Force	121,550	121,550
	<u>\$ 2,082,475</u>	<u>\$ 2,152,475</u>
Coincidental Costs		
Public Safety (911, dispatch & radio upgrades)	\$ 612,109	\$ 648,366
Corner House relocation	464,876	464,876
	<u>\$ 1,076,985</u>	<u>\$ 1,113,242</u>

Coincidental Costs

- Both the Borough & Township 911, dispatch & radio systems were at the end of their useful lives
 - Separately replacing each system would have been significantly more costly
 - Partnering with other communities would be years away
- Corner House's need for a new location is not a consequence/cost of Consolidation. However, freeing up space in existing facilities for Corner House may represent a cost avoidance opportunity compared to the alternatives.

Key Transition Costs

	FINANCE SUBCOMMITTEE EST.	
	Low	High
Employee Separation Costs	\$ 250,467	\$ 250,467
Salary Harmonization Costs	274,000	274,000
IT Costs	190,155	190,155
Legal Costs (excl TTF)	225,000	225,000
Tax Maps	188,400	188,400
Building Modifications	309,918	309,918
Departmental Relocation	100,000	112,500
Public Safety Systems, Equipment & Procedures (incl a share of 911 & dispatch)	361,486	378,986
Transition Task Force	121,550	121,550
All Other	61,499	101,499
	\$ 2,082,475	\$ 2,152,475

** JSSCC transition cost estimate was \$1.7m excluding employee separation costs.*

Transition Costs

Offsets & Potential Funding Sources

- \$705,000 in savings in 2012 – this was not anticipated and can offset transition costs
- 20% of agreed-to costs will be reimbursed by the State of New Jersey
- Princeton University has contributed \$500,000 to Consolidation implementation

2013 Operating Budget

2013 Operating Budget

Advanced Planning for 2013

- Rather than simply combining each department's operating budget, we asked each department to start from scratch (zero-base) and develop a 2013 operating budget
- We are meeting with each department to review and justify costs
- We have a very preliminary estimate of **\$350,000-400,000** in additional savings for 2013
- Operating budget savings are in addition to the staff savings outlined by the JSSCC

Summary

- Savings for 2013 exceed original estimates and an opportunity exists to garner further savings that ultimately exceed the consolidation commission's estimate at full implementation.
- Transition costs are estimated at \$2.0m vs. the \$1.7m estimate of the JSSCC (which did not include separation costs)
- 2012 unanticipated savings of \$705,000 can serve to offset the transition costs and that offset is further bolstered by the 20% state reimbursement and the \$500,000 contributed by Princeton University.
- The 2013 Operating Budget stands to save the community an additional estimated \$350,000-400,000.
- The JSSCC, the TTF and the governing bodies have positioned the community well to meet the objectives of consolidation.