

Minority Report

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This is a report on the considerations that led its authors to oppose consolidation of the two Princeton municipalities. The conclusions argue neither with the methods nor the motivations of those in the majority, nor with the conduct of the Commission during its existence. Rather it recognizes that given the totality of the information that the Commission was able to accumulate during its deliberations, reasonable people can disagree.

This disagreement stems from the belief that the two municipalities have governing systems that are serving them extremely well, and at quite reasonable cost. Given that improvements can be made to any such systems, a strong argument can be made that they can best be realized by building upon existing structures rather than by cashiering them and starting anew with an untried system, *unless preliminary investigations indicate clear, unambiguous, and significant advantages associated with starting anew.*

Since its inception in November 1995, it is our opinion that the Commission has been able to unearth few if any such clear and unambiguous advantages. Also, one of the advantages that has been cited for consolidation appears to us to represent an expectation that, if followed, can have unfortunate consequences for both the Township and the Borough. This is referred to as the Cassandra's argument, and it is discussed later in this report.

The considerations divide into quantitative and non-quantitative questions. Fiscal and economic matters are quantitative, all others are qualitative, but no less important.

To make consolidation fiscally attractive to the residents of *both* municipalities, the fiscal impact of a change must either lower the cost of government to both municipalities or at least break even for them. Break-even can be achieved if the costs of the two municipalities are closely matched as a fraction of their equalized rates, or if consolidation can achieve such savings that any mismatch is overcome. If consolidation is to lower the costs of government to both municipalities, then it must achieve significant net savings for the combined municipality.

Before addressing the details of the cost argument, one can get a very simple, but quite informative, overall picture of the likely impact of any cost savings in municipal government on the property tax bill of individual taxpayers.

In the two Princetons the portion of the property tax devoted to municipal government is 25.2% for the Borough and 20.8% for the Township (see Table 1 on page 76). Taking the high figure, assume that consolidation can achieve a 10% savings in the cost of municipal government, a figure higher than any asserted let alone supported by the work of the

Table 1. Tax Rates for Princeton Borough and Township
For the Years 1985, 1990, and 1995

Princeton Borough

	1985 Rate \$/100	1985 Percent of Total	Rate \$/100	1990 Percent of Total	Percent Change From 1985	Rate \$/100	1995 Percent of Total	Percent Change From 1985
Municipal	0.50	20.	0.79	22.5	58.0	1.07	25.2	114.
Schools	1.10	44.	1.59	45.3	44.5	2.04	48.1	85.5
County	0.90	36.	1.13	32.2	25.6	1.11	26.2	23.3
Open Space	0.00	0.	0.00	0.0	DK	0.02	0.47	DK
Total	2.50	100.	3.51	100.	40.4	4.24	100.	69.6

Princeton Township

	1985 Rate \$/100	1985 Percent of Total	Rate \$/100	1990 Percent of Total	Percent Change From 1985	Rate \$/100	1995 Percent of Total	Percent Change From 1985
Municipal	0.40	16.2	0.70	19.2	75.0	0.94	20.8	135.0
Schools	1.15	46.6	1.72	47.3	49.6	2.27	50.2	97.4
County	0.92	37.2	1.22	33.5	32.6	1.29	28.5	40.2
Open Space	0.00	0.0	0.00	0.0	DK	0.02	0.44	DK
Total	2.47	100.	3.64	100.	47.4	4.52	100.	83.0

Commission. This will lead to a two and one half percent decrease in the property tax of residents of the combined municipality. Given the uncertainties of projections of future costs, while not inconsequential, this is not a number that forms a sound basis for changing a system that is working quite well at present.

With that preamble the remainder of this report treats first the fiscal questions, and then the less quantitative questions.

Fiscal Questions

Various aspects of the fiscal questions were treated by the Department of Community Affairs (DCA) of the State of New Jersey in their report to the Commission, "Fiscal Aspects of Consolidating Princeton Borough and Princeton Township." (In equalizing valuations in their work they used pre-1996 revaluation figures.) They showed that as to taxes, consolidation would result in a \$277 *reduction* in taxes for an equalized average residence in the Borough and an *increase* of \$146 for an equalized average residence in the Township, neither the reduction nor the increase being very large for either average residence.

However, they also showed that the change could be further reduced if municipal garbage collection were to be extended to the residences of the former Township in the new consolidated municipality. This can occur because the cost of extending municipal waste pickup to the residents of the former Township would be shared with the residents of the former Borough. The argument is extended to include the income tax deductibility of municipal taxes, which would then include the cost of waste pickup. The net result is sensitive to the cost of the extended pickup. This cost per residence is expected to be less than the cost of individual private residential contracts. The DCA then produced a chart showing the net effect of consolidation on average residential taxes with the cost of garbage collection on average residential taxes with the cost of garbage collection in the Township as a parameter. Table 2 is copied from the State report.

Table 2. The Impact of Solid Waste Collection on Tax Changes of An Average Residence if Municipal Waste Collection is Extended to the Former Township in a Consolidated Municipality

Cost of Waste Collection	\$0	\$260	\$275	\$300	\$325	\$350	\$375
Township Tax Change	148.68	82.30	74.54	72.09	69.64	67.20	64.75
Borough Tax Change	-277.73	-165.90	-159.44	-148.69	-137.94	-127.18	-116.43

While the changes are modest, for an individual to estimate the impact of the change on a given residence the ratio of the equalized assessed valuation to the average must be used to multiply the above figures. For this purpose, the values recorded by the just completed 1996 revaluation in the Borough and Township may be used. For the Borough, the average 1996 residential valuation is \$338,500. For the Township it is \$391,500. The impact of the tax changes fall more heavily upon the more highly valued residences. In the Borough, the more valuable the property, the greater the advantage of the tax change, in the Township the greater the disadvantage of the tax change. The above figures can assist individual residential property owners in assessing the impact upon their tax bill. They need only divide their 1996 valuation by the average for their municipality and multiple the quotient by the average tax change.

Conceding that extending garbage collection to the Township will diminish the tax change, and that it will also have the advantage of making the cost of collection deductible for federal income tax purposes, it is also fair to note that the cost of collection will be subsidized by residences with an above average valuation. This will decrease their advantage from municipal collection even as it will increase the advantage of residences with a less than average valuation. As an example, assume that garbage collection costs \$250, that a residence has twice the average valuation, and that the owner is in the thirty percent tax bracket. The owner will be subsidizing collection to the extent of \$250 while saving \$150 in federal taxes, for a net subsidy of \$100 and a net cost of collection of \$350. *The advantage or disadvantage of municipal waste collection varies widely depending upon individual circumstances.*

In the matter of debt transfer, the picture becomes much more obscure, and quite dependent upon the assumptions and judgments that are made in assessing it. In Table 6 of the Commission's report, the results with one set of assumptions are presented. That table includes total capital budgets from 1996 through 2000, and it assumes \$2,000,000 savings in building costs as a result of consolidation. (Capital budgets over five years are very changeable numbers, as are projected building costs.) It also makes two additional assumptions. First, it assumes that the Township's gross affordable housing debt (Grigg's Farm obligation) of \$7.1 million is part of general obligation debt. Second, it limits the obligation of the Township for the purchase of the Institute for Advanced Study's development rights to one-fourth of \$7.5 million.

In its report, the DCA omitted Grigg's Farm from general obligation debt on the grounds that the Township has set up the Affordable Housing Utility to fund this debt obligation from fees on developers. The Township is estimated to have an obligation for a contribution to the Utility that varies from \$146,000 to \$718,000 per year over the next fifteen years. It may actually be more, or it may be less, even zero. That is unknown. Given this arrangement, reasonable arguments can be made either to include or exclude this obligation from General Obligation Debt. This is only one of the debatable items included in the Commission's table. Certainly projected building costs in a consolidated municipality are another major unknown that is unlikely to be less and that may well be much more.

Focusing attention only upon the effects of assumptions regarding Grigg's Farm and the assumed \$2,000,000 saving in construction costs through consolidation on debt transfer, Table 3 shows the effect of these two variables on the result.

Table 3. Effect of Township Affordable Housing Obligation and Assumed Construction Cost Savings Through Consolidation on Debt Change For Former Borough and Township in a Consolidated Community

(Net change for Borough and Township if Consolidated)

	Grigg's Farm In, \$2 million Construction Savings	Grigg's Farm Out, \$2 million Construction Savings	Grigg's Farm In, No Construction Savings	Grigg's Farm Out, No Construction Savings
Borough	-2,302,760	-4,574,760	-1,662,760	-3,934,760
Township	302,760	2,574,760	1,662,760	3,934,760
Total	-2,000,000	-2,000,000	0	0

Table 3 illustrates the tenuousness of the projections, even when a hypothetical consolidated construction savings of \$2,000,000 is included. The preliminary report referred to the financial consequences of consolidation is neutral. "Too close to call" is probably a better term. The tenuousness of projected operating cost savings as a result of consolidation is even greater. These savings depend upon the actions of some future governing body. It is fair to say that the operating savings that can be realized through consolidation are also too close to call. X

The preceding discussion should make plain that financial considerations are too close to drive the decision on consolidation (either pro or con), and any number crunching or interpretations that obscure this conclusion should be viewed with great suspicion. One such argument that has been offered, although non-quantitatively, is a Cassandra's argument. It goes as follows. The Borough cannot continue as it has in the past. It is near its sustainable taxing limit, beyond which it will either have to severely cut back on its services or raise its taxes to the point where it becomes a "golden ghetto." (The cost of housing in either municipality might suggest that is already the case.) The Borough's ability to add acceptable ratables at acceptable densities, so goes the argument, is almost exhausted, and its only viable solution is to merge with the Township, which merger can add ratables in the Township. However, if the added ratables in the Township are to be acceptable, they are likely to be housing of acceptably low density. Other types of ratables pose a threat to the ambiance of Township neighborhoods. The ratables argument is fatally flawed, however, in X

that much experience has shown that such ratables bring in more expense than revenue, and that they tend to increase tax rates. The Cassandra argument uses a taxation problem that exists at the State level in New Jersey's preferred reliance on property taxes rather than on broad based taxes. It cannot be solved at our local level through consolidation. If consolidation promised great savings, the problem might be delayed, but not eliminated. However, no savings of sufficient magnitude to help with this problem are identified in the Commission's work.

This argument has been amplified in a letter from Borough Councilman Roger Martindell, which is referred to in the majority report. It also projects Township ratables as a salvation for the Borough. Table 1 hardly supports this argument, in that it shows the rate of increase of the tax rate in the Township, even with its greater addition of ratables, to exceed that of the Borough over the last ten years. This is true for all three components of the rate; municipal, school, and County. The tax rates of the Township and Borough are diverging as a result of the township's higher rate of increase. This hardly reflects the root assumption of the Cassandra argument, that the Borough is at the limit of its sustainable taxation because of a limitation of new ratables and must rely upon new ratables brought in by the Township.

This argument can be particularly damaging if it leads to a chase for ratables in a consolidated community; damaging to both the former Borough as well as to the former Township. Princeton has mitigated the damage that stems from development by controlling it, not by soliciting it. New Jersey is filled with communities that have attempted to bring in development, office and professional buildings, etc., that provides net tax revenue. The consequences have not been pleasant, and for the Princetons to take this path would be tragic.

Given the weakness of quantitative considerations as arguments for consolidation, non-quantitative considerations should prevail.

Non-Quantitative Questions

The majority report cites numerous advantages of consolidation in its section "The Case for Consolidation." The following comments are directed to some of the assertions in that section. (Italics and quotations are from the majority report.)

- *Giving voice to the whole community.* Consolidation might advance this goal, but it might also result in a community torn between the differing needs of the two former communities. Hopefully that would not be the case, but the answer cannot be known in advance. Saying we are all one community may prove to be different than supporting the assertion with our pocketbooks.

- *Identifying facilities needed by the whole community.* We agree with this, and concede that it offers a significant argument in favor of consolidation.

- *Achieving economies with the School District.* Some small economies may be possible, but given the differing priorities and administrative structures involved, substantial economies are unlikely. While the majority cites tensions between the Borough and Township governing bodies as a reason to consolidate, these tensions are quite small relative to those that are likely to arise in joint efforts between the school system and a governing body, in that they have sharply differing priorities.

- *Providing community-wide policing and public works.* There may be advantages to this, but the cost savings are projections with all of the uncertainties cited in the preceding sections. Furthermore, the two forces do have a differing approach to policing, as has been asserted during hearings before the Commission, and melding these into one uniform approach may not be desirable. Regarding police, the Commission estimates that a consolidated department could provide the same level of services with four less sworn officers and one less civilian employee. However, testimony from the chiefs indicate that they feel understaffed now, and it is likely that a successor consolidated government would elect not to reduce the number of sworn officers. If that result in better police services, consolidation would still be a plus in this regard, but merger of the two quite different forces might well eliminate any contemplated improvements in operations well into the future. Also, if one accepts the majority argument that a larger combined municipality might have more "clout" dealing with other organizations, one might well accept the argument that a consolidated police department would have more "clout" in dealing with the new governing body for more, better and more expensive equipment and facilities.

The exercise of the police powers have a profound impact on the life of the community, the question of the effects of merging the police forces requires extensive debate on a community-wide basis.

- *Dealing with Princeton's tax exempt institutions.* "One Princeton will be more effective in dealing with its tax exempt institutions." How? By what mechanism? The cost sharing policies of the tax exempt institutions are very effectively insulated by state law against pressures from the municipal governing bodies. As to the University realizing efficiencies and cost savings through dealing with a single municipality, that is the University's problem, and their resources are more than adequate to handle it. It is scarcely an argument sufficient to influence decisions on consolidation.

- *Dealing with external development pressures.* "One Princeton will be more effective in dealing with the intense pressures that the community faces from development in central New Jersey and the Boston-to-Washington corridor." How? By what mechanism? The Princetons rely more upon their politically active citizens than upon their governing bodies for any "clout" in these areas. The development decisions of surrounding communities are very effectively insulated by state law against pressures from our municipal governing bodies. Our active, and politically potent, citizens acting in concert with their local government give the Princetons most of their influence, and this is unlikely to be changed by consolidation. The problems of coordinating the actions of the two

municipalities in this regard lie quite within the capabilities of both the governing bodies and the residents.

- *The potential for dissolution of consolidated services.* "The continuation of two Princetons would create incentives for the Township to dissolve some of the arrangements for sharing services with the Borough." This addresses tensions between the municipalities regarding the joint agencies. Such tensions have always existed, and have been resolved amicably in the past. To the extent that they exist they would be transferred to any new consolidated governing body, where the interests of the residents of one of the former municipalities might be less well represented than is currently the case. Also, competition between the municipalities regarding the joint agencies may well be responsible for their budgets increasing less rapidly than those of the departments of the separate municipalities. The residents and governing bodies of both municipalities are probably too intelligent to amputate their noses to inconvenience their faces.

- *Managing and coordinating services.* "Two Princetons would be unable to achieve the coordination and general management of services that would be possible with a single town administration." The two municipalities are well served by dedicated, capable, hard working administrators and staffs. They are very well run and responsive to the needs of their unique small communities. Consolidation will undoubtedly dilute this focus while it also eliminates some of these positions. By law there can be only one municipal clerk. Surely one Municipal Administrator will be gone. Other support staff may be either eliminated or downgraded. While the consolidated municipality will no longer have the expense of their salaries and benefits, it will also no longer have the benefit of their services and experience. These staff are not transient hired guns who regularly move from one employer to another. They are long term employees who are great assets to their communities. Consolidation must offer very significant gains to compensate for the loss of these people and their focus on the particular priorities of their communities. Does it?

- *No effect on Princeton's voting rights in the Regional Sewerage Authority.* Despite the assurances of various counsel and the State Attorney General, should the Stony Brook Regional Sewerage Authority elect to challenge the right of a consolidated Princeton to have two voting representatives on the Authority, as they are likely to do, only the courts will decide the issue. A query in this regard to the Authority's counsel might well have been enlightening.

Regarding Public Works Departments, it is proposed to create the position of Planning Board Engineer, while eliminating one position of Municipal Engineer. The question of the desirability of this significant increase in the Planning Board's professional staff is deserving of great scrutiny. Is it justified? Is it useful to further increase the staff and expense budget of this board? The testimony of the municipal engineers was unenthusiastic regarding the advantages of consolidation of their departments. Their opinions deserve careful attention in the coming debate.

Our participation on the Commission since its election November 1995, its investigations, researches, hearings and debates has led us to vote against consolidation of the two Princetons. The Commission's findings define choices that offer no clear quantitative advantages. The qualitative choices are arguable. In this context, disagreement is valuable. Hopefully it will help to inform and stimulate the coming debate on consolidation, and the voters will closely examine and criticize the positions and conclusions of both the majority and minority commissioners. The issue deserves an extensive, vigorous, rational and civilized debate. We expect that this will occur, and we look forward to it.