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## **Comparison of cost for benefits, holidays, personal days and other cost impacts: City of Vineland compared to Landis Sewerage Authority.**

The following white paper evaluates various benefits the City and LSA provides their employees and each item is a cost adder. It is clear the City provides a much more benefit rich package at a greater cost to taxpayers then LSA provides at a lower cost to its rate payers.

### **Summary:**

There is a very real increased cost for year one and year three respectively of **\$144,616.21** and then an extra **\$276,523.11** to the people of Vineland. This is for extra benefits in addition to the **\$434,000** requested and transferred in 2013. This is expected to increase. The increased costs will continue and magnify into the future year after year. Potential additional sludge disposal cost could add **\$600,000±** and if the past LSA grants from the USEPA were jeopardized it would be an additional cost of **\$1,142,500** for land acquisition cost.

The transfer may jeopardize past USEPA grants of over \$25 million for the construction of the LSA treatment facilities if proper capital reserves for asset management are not retained to provide for the proper operation maintenance and renewal. The LSA property is restricted by a deed restriction in favor of the USEPA.

Since the LSA does not provide post employment retirement benefits, it does not have to comply with the Governmental Accounting Standards Board Statement (GASB) numbers 43 and 45. This results in less internal and external auditing work effort and reduces costs. On the other hand, since the City does provide this, there is an increased cost for the City also for both internal and external accounting and auditing.

Several recommendations for decreasing cost by both the City and the LSA and areas for possible cost sharing are presented. There are also several unintended consequences that can potentially result in dramatically raising cost.

**It appears the best alternative is not dissolution, but expanded shared services. A merger could result in sewer bills increasing over \$95 per household or more.**

**A section by section comparison between the City contract and LSA contract for closely aligned titles shows increased costs identified below:**

THE CITY OF VINELAND  
A Municipal Corporation of the State of New Jersey  
&  
LOCAL 210

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

Unit-2 January 1, 2011 through December 31, 2013

ARTICLE 19  
SHIFT DIFFERENTIAL

Article 19 - Shift Differential

A weekly shift differential shall be made a part of base salary and paid to any regularly scheduled shift employee who work: **LSA Shift Differential is not part of base pay, this reduces the Authority's pension payments made to the state.**

Rotating shifts of one afternoon or night shift in a three week period: \$12

Rotating shifts of two afternoon or night shifts in a three week period: \$24

Permanent afternoon/night shifts: \$36

**LSA differential is flat. \$0.20 or \$0.35 per hour which equals \$8.00 or \$14.00 per week and has 4 staff on most second shifts and two on midnight. The cost increase under the City contract would result in \$4,992.00 for second shift (4 x 52 weeks x \$24/week) and \$2,288 (2 x 52 weeks x \$22) for a total of \$7,280.00 In addition the LSA shift is not in the base salary so LSA does not pay state pension on this pay, which would add 12.16% or \$885.25 for a total of \$8,165.25**

ARTICLE 20  
CALL IN PAY  
Article 20 - Call-In Pay

§1. An employee **physically** called into work while off-duty shall be paid overtime but with a minimum pay of five hours at straight time. **LSA call in time is 3 hours or 4.5 hours total pay, the City pays 7.5 hours total pay. Given the number of call ins for 2012 for both the plant and**

collection system/pumping stations (250) minus the call in for both the Derecho and Sandy this would result in additional 750 hours or \$22,102.50. Call in numbers are lower than the 250 as in numerous cases, due to safety, two or more men are called in.

§3. Designated Nurses, Registered Environmental Health Specialists, Water-Sewer Utility and Municipal Court employees shall receive \$2.50 per hour when assigned to standby duty. LSA has no stand by pay. This is 16 hours week day and 48 hours on weekends for a total of 3,328 hours and \$8,320 on top of the 5 hours (7.5 hours with OT)

#### Article 22 - Holidays

§1. Employees, **except Public Safety Telecommunicators**, shall receive the following paid holidays off at straight time:

- New Year's Day
- Martin Luther King Day, Columbus Day
- President's Day, General Election Day
- Good Friday, Veteran's Day
- Memorial Day, Thanksgiving Day
- Independence Day, Day After Thanksgiving
- Labor Day, Christmas Day

LSA does not get the day after Thanksgiving, so it has one day less.

This has a value of \$12,071.11, plus overtime 1.5 for 6 men at \$2,359.08 for a total of \$14,430.19.

#### Article 23 - Personal Leave

§1. Employees, **except Public Safety Telecommunicators**, shall be credited four personal leave days annually at the beginning of each year. LSA has 3 personal days so the extra day has a value of \$12,071.11 plus shift coverage for the extra man day for an added value of \$9,758.76 for a total due to the extra personal day of \$21,829.87.

#### Article 24 - Vacations

§1. All employees hereunder, **except for Public Safety Telecommunicators**, shall receive the following annual leave for vacation purposes with pay in and for each calendar year, except as otherwise herein provided:

- a. One working day for each month up to one year of service.
- b. 12 working days after one year and up to six years of service.
- c. 15 working days after six years and up to 13 years of service.
- d. 20 working days after 13 years and up to 19 years of service.
- e. 25 working days after 19 years and up to 27 years of service.
- f. 30 working days after 27 years of service.

LSA maximum is 25 days.

**LSA presently has 3 employees with over 27 years. The extra 15 days equals \$4,616.40, and extra time off for vacation will result in overtime to cover shifts . This results in an anticipated over time of \$3,912.00 for a total cost of \$8,528.40**

**LSA will have 17 employees eligible in three years and this added value is presently \$21,695 at present salaries without increase for raises. With 2.5% raise and OT the future value is estimated to be \$27,575.93**

### **Article 35 - Retirement**

**§1. At retirement, the City shall pay each employee an amount equal to 50% of all accrued and unused sick leave pay up to a maximum of \$15,000.**

**LSA caps sick time at \$10,000**

**LSA has 5 employees presently that would qualify for the full \$15,000 (an extra \$25,000). It has 8 additional employees that would gain more than the LSA \$10,000 max, but currently not the full extra \$5,000, for an additional \$23,184. This number will escalate as employee's present salaries increase and days saved increase.**

**§5. Employees who retire with at least 25 years of service shall receive the same prescription coverage as active employees, which may change from time to time, until said employee:**

**a. Obtains employment having prescription coverage comparable to active employees.**

**However, retired employees may re-enroll in the City prescription program given to active employees should said employment cease; or**

**b. Becomes eligible for a federal or state prescription program, such as Medicare.**

**LSA offers no health benefits upon retirement. LSA has 6 present employees with over 25 years and in 3 years it will have 20 employees with 25 years of service. The current NJ State Health Care Plan has a yearly cost of \$6,040 per year for a couple or \$36,240 a year for the current 6 employees. In three years this exposure would be \$120,800 per year, or higher if rates increase, for the 20 employees eligible at that time.**

**Because the LSA does not provide post retirement benefits it does not have to comply with the Governmental Accounting Standards Board Statement (GASB) numbers 43 and 45. This results in less internal and external auditing work effort and reduces costs.**

**§6. The City shall provide a basic dental care plan for all employees and their eligible dependents. The selection of plans are a customary Delta 50/50 Dental Plan, Delta-Flagship Health Systems, Inc., Delta Preferred Provider Option or their successors. LSA offers no dental insurance, but rather a flat use it or loose it allowance of \$1,600 per year. At this time we don't have a value for comparison.**

## Non contract issues:

1) Water Utility has numerous titles due to Civil Service, this leads to problems with out of title work, less flexibility

### City

Construction Inspector  
Engineering Aide  
Laborer  
Pumping Station Operator  
Water Repairer  
Water Service Repairer  
Water Service Technician  
Senior Water-Sewer Repairer  
Senior Water-Sewer Repairer/Water Service Inspector  
Assistant Water and Sewer Foreman  
Senior Pumping Station Operator  
Supervising Pumping Station Operator  
Stock Clerk

### LSA

Field Engineer  
  
Sr. Sewer System Employee  
Sewer System Employee  
Asst Superintendent  
Mechanic

A tremendous amount of staff time from the City's Personal office will be required to established titles, fill positions, and interface with employees and NJ Dept of Personnel. In contact with NJ Dept Personnel it was learned that all LSA employees with a year's employment will be considered permanent employees with all the rights of a permanent employee. All of this has a cost.

## 2) Billing

Separate from the contract issues and cost above it has been reported that a \$2 million upgrade to the VEMU is required. The LSA has upgraded its billing system several times since 1999 starting with Y2K compatibility. For 13,000+ accounts our upgrade costs since 1999 have been \$58,037 total.

## 3) USEPA

In a phone conversation on August 20, 2013 with a representative of USEPA Region II in New York, he expressed concerned that given the large USEPA Grant for the construction and land acquisition costs and that expected life is 40 years, they would have deep concerns for the proper operation and maintenance (O&M) of the facility as well as proper and prudent asset management. This would include retaining any capital reserve funds to be applied to the continued O&M of the plant. Land acquisition grant of over \$1million dollars and the deed restriction are also issues.

## 4) Sludge/Biosolids Handling

Under the federal consent order with the Township of Deerfield, the Township has first right of refusal. Should they exercise that right the LSA may not be able to run the farm operation. This would result in the loss of \$100,000-120,000 per year of crop sales revenue and would necessitate an alternative disposal method. The closest alternative is the Gloucester Co UA facility, their rate schedule from their web site for 3-4.99% solids is \$0.055 for less then 100,000 gallons and \$0.05 for larger deliveries 100, 000-500,000 gallons. The LSA produces approximately 5,000,000-

6,000,000 gallons of sludge per year and this alternative would cost \$250,000-300,000 plus hauling. Hauling cost based upon our existing contract of \$330 per load and the above quantity is approximately 1000 loads for an additional \$330,000 for a total for this calculation of \$600,000 per year.

<b>INCREASED Direct Cost:</b>	<b>Present</b>	<b>In 3 Years*</b>
The value of one extra Holiday, one Admin	\$36,260.06	\$39,048.12
Extra Vacation	\$8,528.40	\$27,575.93
On Call Payments	\$8,320.00	\$8,320.00
Prescription on Retirement	\$36,240.00	\$120,800**
Shift Differential	\$8,165.25	\$8,793.08
Call In Pay	\$22,102.50	\$23,801.98
Increase in Sick Time Payout (plus the \$25,000 if they delay)	\$25,000.00	\$23,184.00 <u>\$25,000.00</u>
Known Cost Increase	\$144,616.21	\$276,523.11
Plus any difference in dental plan costs		
<b>Potential Cost Increase:</b>		
Potential Increased Sludge Disposal Costs	\$600,000	\$600,000
Payment to USEPA for land grant	<u>\$1,142,500</u>	
<b>Total Cost</b>	<b>\$1,887,116.20 plus</b>	<b>\$876,523.11**</b>

\*Three year rates assume 2.5% increase

\*\*The three year cost goes on every year and increases with retired health care cost

The matter of the City/ LSA merger goes back as far as a 1973 study and it was found not to be in the economic interest to pursue then and by the above figures it does not appear make economic sense at this time.

Another concern to rate payers is with a merger, what amount of funds would be potentially diverted to the City budget from sewer paying ratepayers? Historically the water utility has a budget in the \$6 -7million range other then the transitional year where in 2011 there was \$3,721,002.83 in income and \$3,160,564.34 in expenses as the City moved from a State fiscal year to a calendar year. Generally approximately 8-10% of the operating budget or \$641,000 was diverted in budget years 2009 and 2010. If an equal percentage was diverted from the sewer rate payers 10% would equal approximately \$900,000 or a rate increase of almost \$70 per year. The City also pays in excess of \$70,000 per year for lease of LSA property for solar panels. Would the sewer rate payers still gain this payment in a merger to support the sewer budget? If not this would add an additional \$5.40 to the 13000 users sewer bill for a combined \$75 per house increase. This would be in addition to all the above noted costs.

**POSSIBLE COST SAVINGS AND IDENTIFIED SHARED COSTS/SERVICES  
SUGGESTIONS:**

**Immediate Cost Savings:**

**LSA should reduce Longevity payment or number of steps.**

**City should adopt similar vacation, holidays and personal leave schedules as the LSA.**

**City should adopt similar sick time sell back and benefits at retirement as the LSA.**

**City should adopt a call in time payment similar to LSA.**

**Bill S533 the "Common Sense Shared Services Pilot Program Act" has passed both houses and is currently sitting on the Governor's Desk. This Bill concerns shared service agreements and joint contracts, in certain municipalities. The City could look to further shared services that are allowed by this bill with surrounding municipalities.**

**Shared Costs/Services**

1. An inter agency personnel agreement where the LSA could provide expertise or managerial staff to the City in select areas.
2. Both LSA and the City contract out for environmental laboratory services. This should be done as a joint bid to gain economy of scale.
3. Both provide uniforms to utility personnel and this could be a joint bid.
4. Both pave portions of the City streets and a joint paving contract could be performed.
5. Both purchase chemicals for use at the utilities and joint purchasing could reduce cost.
6. The City purchases a large volume of natural gas, the LSA could join in this bid.
7. LSA could assist the City in catch basin cleaning or do it as a shared service under contract.
8. Joint maintenance of vehicle fleets.
9. LSA could assist or perform easement maintenance as we are cutting and maintaining our easements under shared services.
10. LSA could TV storm sewers under a shared services agreement.

Open to other and further suggestions.

**As a note, the LSA already has a shared service agreement with the City of Millville between sewer agencies for mutual aide in times of emergencies or equipment break downs.**



New Jersey  
State Health Benefits Program

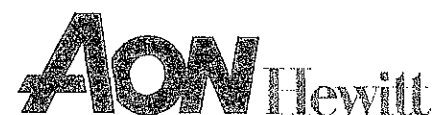
Plan Year 2014  
Rate Renewal Recommendation Report

Local Government Employer Group

January 1, 2014 – December 31, 2014

Prepared by Aon Hewitt

July 2013



## SHBP Plan Year 2014 Renewal Recommendation Exhibit 5D – Annual Retiree Premiums (Page 1 of 2)

	Legacy Plans									
	Aetna PPO10	Aetna PPO15	Horizon DIR10	Horizon DIR15	Aetna HMO	Horizon HMO	Aetna PPO	Horizon PPO	Aetna HMO	Horizon HMO
<b>Total Premium</b>										
Single - 0 Medicare	\$13,873	\$13,210	\$13,763	\$13,107	\$12,712	\$12,611	\$12,656	\$12,557	\$11,635	\$11,546
Single - 1 Medicare	\$5,864	\$5,577	\$5,896	\$5,551	\$6,428	\$6,398	\$5,229	\$5,205	\$5,902	\$5,872
Mem+Spouse - 0 Medicare	\$30,244	\$28,798	\$30,004	\$28,573	\$27,717	\$27,496	\$27,590	\$27,375	\$25,365	\$25,170
Mem+Spouse - 1 Medicare	\$19,475	\$18,538	\$19,340	\$18,411	\$18,938	\$18,809	\$17,642	\$17,523	\$17,334	\$17,217
Mem+Spouse - 2 Medicare	\$11,729	\$11,153	\$11,672	\$11,102	\$12,856	\$12,796	\$10,457	\$10,411	\$11,804	\$11,744
Family - 0 Medicare	\$34,405	\$32,761	\$34,133	\$32,505	\$31,535	\$31,284	\$31,387	\$31,142	\$28,856	\$28,634
Family - 1 Medicare	\$23,478	\$22,348	\$23,311	\$22,192	\$22,591	\$22,433	\$21,292	\$21,145	\$20,679	\$20,536
Family - 2 Medicare	\$15,208	\$14,461	\$15,134	\$14,395	\$15,998	\$15,923	\$13,559	\$13,499	\$14,665	\$14,594
Parent+Ch - 0 Medicare	\$19,422	\$18,494	\$19,268	\$18,349	\$17,802	\$17,660	\$17,719	\$17,580	\$16,290	\$16,164
Parent+Ch - 1 Medicare	\$9,285	\$8,829	\$9,240	\$8,789	\$9,424	\$9,381	\$8,279	\$8,242	\$8,631	\$8,590
<b>Medical Premium</b>										
Single - 0 Medicare	\$11,102	\$10,440	\$10,992	\$10,336	\$10,135	\$10,034	\$9,971	\$9,873	\$8,951	\$8,861
Single - 1 Medicare	\$2,875	\$2,587	\$2,847	\$2,562	\$2,986	\$2,956	\$2,332	\$2,309	\$3,005	\$2,975
Mem+Spouse - 0 Medicare	\$24,204	\$22,758	\$23,964	\$22,533	\$22,095	\$21,874	\$21,737	\$21,522	\$19,512	\$19,317
Mem+Spouse - 1 Medicare	\$13,693	\$12,755	\$13,557	\$12,629	\$12,849	\$12,721	\$12,038	\$11,919	\$11,730	\$11,613
Mem+Spouse - 2 Medicare	\$5,750	\$5,174	\$5,693	\$5,123	\$5,973	\$5,913	\$4,663	\$4,617	\$6,010	\$5,950
Family - 0 Medicare	\$27,534	\$25,890	\$27,262	\$25,634	\$25,155	\$24,884	\$24,728	\$24,483	\$22,197	\$21,975
Family - 1 Medicare	\$16,905	\$15,776	\$16,738	\$15,620	\$15,771	\$15,613	\$14,923	\$14,776	\$14,310	\$14,167
Family - 2 Medicare	\$7,456	\$6,709	\$7,382	\$6,643	\$7,432	\$7,358	\$6,046	\$5,987	\$7,153	\$7,081
Parent+Ch - 0 Medicare	\$15,543	\$14,615	\$15,390	\$14,471	\$14,190	\$14,048	\$13,960	\$13,821	\$12,531	\$12,405
Parent+Ch - 1 Medicare	\$4,552	\$4,096	\$4,507	\$4,056	\$4,380	\$4,336	\$3,692	\$3,655	\$4,044	\$4,003
<b>Rx Premium</b>										
Single - 0 Medicare	\$2,770	\$2,770	\$2,770	\$2,770	\$2,577	\$2,577	\$2,685	\$2,685	\$2,685	\$2,685
Single - 1 Medicare	\$2,989	\$2,989	\$2,989	\$2,989	\$3,442	\$3,442	\$2,897	\$2,897	\$2,897	\$2,897
Mem+Spouse - 0 Medicare	\$6,040	\$6,040	\$6,040	\$6,040	\$5,622	\$5,622	\$5,853	\$5,853	\$5,853	\$5,853
Mem+Spouse - 1 Medicare	\$5,783	\$5,783	\$5,783	\$5,783	\$6,088	\$6,088	\$5,604	\$5,604	\$5,604	\$5,604
Mem+Spouse - 2 Medicare	\$5,979	\$5,979	\$5,979	\$5,979	\$6,883	\$6,883	\$5,794	\$5,794	\$5,794	\$5,794
Family - 0 Medicare	\$6,871	\$6,871	\$6,871	\$6,871	\$6,399	\$6,399	\$6,658	\$6,658	\$6,658	\$6,658
Family - 1 Medicare	\$6,572	\$6,572	\$6,572	\$6,572	\$6,820	\$6,820	\$6,369	\$6,369	\$6,369	\$6,369
Family - 2 Medicare	\$7,752	\$7,752	\$7,752	\$7,752	\$8,566	\$8,566	\$7,512	\$7,512	\$7,512	\$7,512
Parent+Ch - 0 Medicare	\$3,879	\$3,879	\$3,879	\$3,879	\$3,613	\$3,613	\$3,759	\$3,759	\$3,759	\$3,759
Parent+Ch - 1 Medicare	\$4,733	\$4,733	\$4,733	\$4,733	\$5,045	\$5,045	\$4,587	\$4,587	\$4,587	\$4,587

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## Marlboro annual water fees to rise \$75

**MARLBORO** — The average Water Utility Division customer here will see fee increases of about 18.5 percent, or around \$75 a year.

The Township Council at its Thursday regular meeting approved the hike in a package of increases for various township services. The water fee increases work out to about \$18.69 per quarter for the average township water customer.

The fee increases include an increase in quarterly basic water service charge from \$27 to \$32, according to the township.

They also include an increase in single-family residential and nonresidential water service charges from \$2.75 to \$3.26 per 1,000 gallons for the first 30,000 gallons of use; from \$4.70 to \$5.57 per 1,000 gallons for the next 20,000 gallons; and from \$5.85 to \$6.93 per 1,000 gallons for all usage over 50,000 gallons, according to the township.

The increases are aimed at helping to close a projected \$1.7 million water utility budget gap, said Township Administrator Jonathan Capp. Capp recommended in a January report the council also use some of its projected \$1.85 million surplus to help cover the deficit in the \$8.75 million

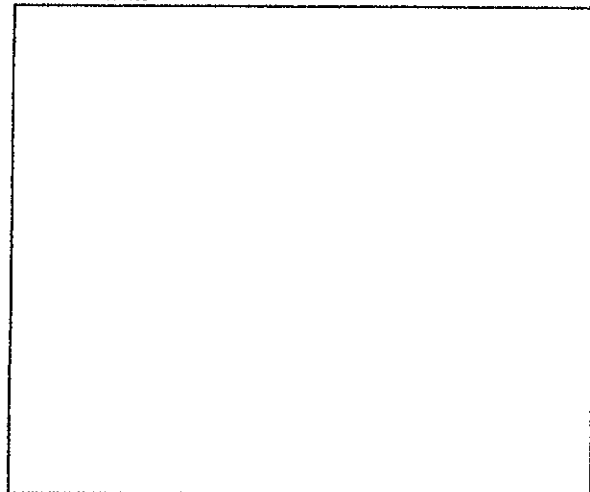
budget.

Capp said utility rates have held steady with the use of surplus created from the January 2010 dissolution of the former Marlboro Township Municipal Utility Authority. A 4.5 percent increase that had been proposed by former authority officials never went into effect after the authority's dissolution.

Also, Capp said, the state Board of Public Utilities in 2010 approved a 13.96 percent rate increase for the Middlesex Water Co., for which Marlboro water customers were never charged via a rate increase. The utility buys 75 percent of its water from Middlesex and resells it.

Middlesex Water has notified the township it has applied for another 17 percent increase, according to the township. The township also at the Thursday meeting authorized the hiring of an expert witness to review the increase application and, if warranted, challenge it. Capp said the township would share the cost, not yet

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known, with East Brunswick Water Utility and any other entities that wanted to join the review.

Capp said he also expects utility revenue from investments and solar credits will have dropped at least \$434,000 since 2009. The utility serves about 60 percent of township, about 8,200 residential and 250 commercial properties, according to township officials.

Council President Jeff Cantor said the rates are still among the lowest among area public and private water providers.

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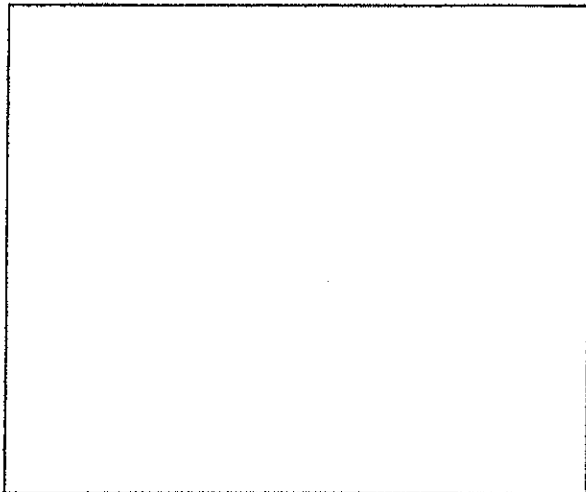
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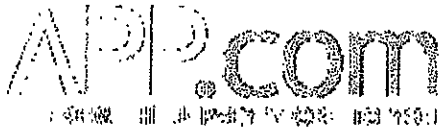
### New Policy in New Jersey

Drivers with no DUI's can get auto insurance for only \$9/wk.  
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February 6, 2012

## Don't increase Marlboro water rates

I am concerned about a proposed double-digit increase in the water authority rates. When Marlboro Mayor Jonathon Homik and the council decided to assume the water authority as part of the town two years ago, we were promised that it would reduce taxpayer and ratepayer expenses.

It was reported the savings to the taxpayers for eliminating this layer of government would be over \$800,000 in the first year and \$200,000 per year thereafter, and that the takeover would not affect the rates. Yet now, barely two years later, a rate increase is proposed.

We were told the authority was tapping into capital reserves to pay current operating expenses and absorption would reduce costs so that those reserve funds could be used for repairs and upgrades.

There were many dissenters and those who were worried that this would be a one-time gimmick and the authority would initially raise rates and then be sold off.

Mayor and council, can you provide some assurance that this proposed water increase will not occur, that you will not sell the water authority as long as you are mayor of the this town?

Barbara Levine

Marlboro

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