

FREEHOLD TOWNSHIP BUDGET REVIEW MINUTES

MARCH 23, 2019

At 9:00 am the Township Committee met in Room 214 in the Municipal Building.

Mayor McMorrow read the Open Public Meetings Act:

“In accordance with the Open Public Meetings Law, (c. 231 P.L. 1975), this Meeting was announced on March 13, 2019 by: 1.) posting a notice on the bulletin board in the Municipal Building reserved for that purpose, 2.) by mailing such notice to the offices of the official newspapers of the Township and 3.) by filing such notice with the Township Clerk.”

Roll Call

In Attendance: Mr. Cook, Mr. Preston, Mr. Salkin and Mayor McMorrow

Absent: Mr. Ammiano

Also in attendance: Peter Valesi, Township Administrator, Catherine Campbell, CFO
Theresa Patino, Township Clerk, Sanabel Abouzeina, Deputy Clerk.

R-19-73 - RESOLUTION TO AMEND THE FREEHOLD TOWNSHIP FIRE
DISTRICT NO. 2 2019 BUDGET

Mr. Preston informed the public that the original amendment was published in the March 15, 2019 edition of the Asbury Park Press and was amended again in accordance with Division of Local Government Services.

Mr. Preston read Resolution R-19-73 in full and moved for adoption as amended, seconded by Mr. Cook.

VOTE:

AYES: Mr. Cook, Mr. Preston, Mr. Salkin and Mayor McMorrow

NAYS: None

ABSENT: Mr. Ammiano

ABSTAIN: None

Add-on

R-19-73A RESOLUTION AUTHORIZING APPLICATION FOR A HISTORICAL
PRESERVATION GRANT FROM THE HISTORIC PRESERVATION
OFFICE OF THE NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION

Mr. Cook read Resolution R-19-73A and moved it for adoption, seconded by Mr. Salkin

VOTE:

AYES: Mr. Cook, Mr. Preston, Mr. Salkin and Mayor McMorrow

NAYS: None

ABSENT: Mr. Ammiano

ABSTAIN: None

Review of 2019 Municipal Budget

Mr. Valesi gave a power point presentation.

What do I get for my 16%?

Mr. Valesi said, the Township Committee controls only 16% of the total tax dollar. The rest is controlled by the County, Schools and Fire Districts. He reviewed what is covered by the 16% and what the residents receive.

2018 Operations Budget

A few items are listed below:

- Percent of fund balance held in reserve increased from 33% to 36%
- Municipal revenue exceeded our targets by 35% aiding to the regeneration of our surplus.
- Amount of reserve compared to the tax levy rose from 14.5% to 17%.
- 2015, through 2019 budgets combined have left over \$1,544,000 remaining under the levy cap.
- Collection Rate remains high, which has stabilized our reserve for uncollected taxes at just below \$2M.

2019 Budget Structure

A few items are listed below:

- State Aid is flat again for the sixth year in row, which is over \$3M lower than our maximum. This reduced amount of State Aid has cost the taxpayers of Freehold Township over \$31,000,000 over the last ten years.
- State aid mandatory transfer to local and regional school districts increased by 0.25% to a total of \$950,975
- Debt service continues to be in line with expectations, ensuring that the debt service stays within reasonable range. In 2019, debt service decreased by approximately 7%.
- As in the previous several years, our budget includes the addition of \$400K into our Capital Improvement Fund to allow for continuation of our debt strategy.

2019 Budget Highlights – Health Insurance

- Self-insurance for Group Healthcare continues to show savings and provides a stable environment for the budget and provides over \$3.2M in reserves to stabilize this line item.
 - In 2018, the Healthcare Budget increased 7.8%, well below the market rate for group health insurance premiums.
 - We anticipate that these claim dollars will continue to be in line with expectations, and as such, have pledged \$1,000,000 of the \$3,281,000 trust balance to offset the claims fund generation estimates.
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- 2013 savings = \$410,000
 - 2014 savings = \$830,000
 - 2015 savings = \$360,000
 - 2016 savings = \$120,000
 - 2017 savings = \$850,000
 - 2018 savings = \$710,000
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- Freehold Township's Healthcare Budget has increased by an average of 4.2% over the last six years (24% since 2012.)
 - The average industry-wide increase for health insurance over the same time period is 15.5% per year (153% since 2012)

- The difference amounts to an annual savings of \$5.7M per year in the Township's healthcare budget.

2019 Budget Highlights- Personnel

Total Freehold Township full-time employees are 199 full time vs. 194 last year (incl. School Officers)

68 part-time employees vs. 64 last year (not incl. seasonal)

We are currently considering options on 4 vacancies.

We are the lead agency on many shared services.

*Estimated shared services revenue - \$935,000

Approximately 36 F/T employees provide services

Various other highlights were explained.

2019 Budget Structure- Personnel

Freehold Township maintains very strong policies on Compensated Absence Liability:

- All Township employees are capped at either \$15,000 or \$17,500 retirement payment for accumulated sick time. Sick Leave Trust has a \$38,000 balance which greatly exceeds number of planned retirements.
- Vacation time does not accrue year-to-year and cannot be paid out beyond the unused current year at retirement or separation.
- Accrued compensatory time is limited to the statutory maximum of 480 hours and is accounted for on the Annual Financial Statement under Accounts Payable at 100% of the value of accrued time each year (\$456,000 in 2018.)
- The Township analyzes and readjusts the Trust and Accounts Payable accumulation of leave each year and revises the sick leave trust and /or accounts payable.
- The 2019 budget includes a \$35,000-line item for accumulated sick leave, which will either be used or placed in the trust.

2019 Budget Highlights- Major Drivers of Costs and Revenues

- Recycling costs have hit towns hard this year. This increased our costs for recycling by over 50% in 2019, after a near increase 30% in 2015. Since this time, this amounts to over \$350,000 per year in additional costs for recycling.
- The addition of Special Police Officers in the Freehold Township High School, and four officers assigned to the Freehold Local K-8 Schools have increased the Township expenses.
- New Court Directives regarding warrants and fines, and the new bail reform laws, have impacted the revenue from the Court.
- Legal expenses for protracted lawsuits for Affordable Housing, Planning Board appeal cases and commuter parking eminent domain have increased expenses in these line items.
- The increase in the interest rate should continue to have positive effect on our investment income, but will make debt service strategies more challenging.

2019 Major Revenue Changes

(Difference between 2018 and 2019 budget revenues)

Capital Fund Surplus	(86,007.00)
Fines & Costs- municipal court	(50,000.00)
Cable TV Fees- Cablevision	(26,924.00)
Uniform Fire Safety	(9,826.46)
Surplus Anticipated	\$472,485.07
Receipts from delinquent Taxes	\$92,500.00

Interest on investment & Deposits	\$35,000.00
Cable TV Fees- Verizon	\$20,066.63
Fees & Permits- Construction	\$10,000.00

2019 Major Added Costs

(Difference between 2018 and 2019 budget appropriations)

Payment of Bond Anticipation Notes	500,000
Group Insurance	467,689.42
Police- S & W	255,000
Interest on Notes	246,380
Recycling- Other Expenses	223,250
Police-Vehicle Purchase	107,000
Police- School Security Cost Share- S&W	69,000
Recycling- S & W	55,000
Police- Other Expenses	50,000
Streets and Road Maintenance	37,000
Public Employees Retirement System	34,817.70

Mr. Valesi reviewed the reasons for some of the increases.

Major Cost Decreases in Expenses

(Difference between 2018 and 2019 budget appropriations)

Payment of Bond Principal	(830,000.00)
MCIA pooled lease- Principal	(94,447.00)
Aid to Volunteer First Aid	(65,000.00)
Interest on Bonds	(62,427.00)
Police & Firemen's Retirement System	(47,383.54)
Information Technology- S & W	(43,650.00)
Utilities – Street Lighting	(38,000.00)
MCIA Pooled Lease- Interest	(31,434.00)
Building & Grounds- S & W	(23,000.00)
Utilities- Electricity	(21,000.00)

Mr. Valesi discussed the reasons for the decreases.

Investing in Infrastructure

Freehold Township has an aggressive approach to maintaining and enhancing the Township's infrastructure.

- Annual Road Overlay Program
- Water Meter Replacement Project
- Rehabilitation of Wells 11 and 14
- Rehabilitation of Well No. 15
- Utility Control System Upgrades
- DPW Equipment Staging Facility
- DPW Recycling Center Improvements
- Multiple Park Court Improvements
- Stonehurst Blvd Culvert Replacement
- Critical Facility Generator Projects
- Wemrock Road Resurfacing
- Double Creek Parkway- Phase I & II
- GIS & Asset Management Inventory
- Wynnefield Area Infrastructure
- Municipal Building Improvements

- Sanitary Sewer Relining Projects
- DPW Fueling Facility Upgrades
- Plymouth Drive Culvert Project
- Wemrock Road Improvements
- Opatut Park- Pedestrian/ Bike Project

Debt Service and Capital Management

2017 debt service down 4.9%.
 2018 debt service up 5.4%
 2019 debt Service Down 6.7%

Freehold Township maintained a AA+ bond rating over the past three years.

Freehold Township routinely retires debt inside a period of ten years.
 More importantly, the debt is structured to be 65% retired in 5 years or fewer.

Affordable Housing and Freehold Township

Affordable Housing / COAH

- Failure of COAH to adopt Round III rules has set the program back 20 years leading to an uncertain environment for municipalities
- Township is currently involved in an expensive lawsuit defending our affordable housing strategy to the courts. The NJBA and FSHC act as the opposition in an effort to force increased housing and artificially impose high-density zoning, in conflict to the Township's zoning plans.
- Beginning in 2016, the Township added an Affordable Housing Budget because Trust funds were being depleted by legal battles
- The lawsuits are changing the landscape of how we look at zoning in Freehold Township and are affecting other changes we would normally make
- The Township continues to aggressively pursue a settlement with FSHC in this lawsuit to protect the long standing zoning strategy for the Township, which serves to provide an intelligent way for the Township to provide quality housing to all income levels.
- The Township continues to have a budget line item dedicated to Affordable Housing Legal Expenses, and as a result of an eventual settlement, will also need to pay a portion of the opposition's legal fees consistent with Court rulings.

Annual Tax Assessment Program

Freehold Township, as a Monmouth County municipality, continues to adjust and reassess our homes annually in order have our assessments keep pace with the annually adjusted assessments in all Monmouth County municipalities.

- In 2018, we inspected 20% of the town in the first year of our new five-year cycle of home assessment inspections.
- In 2019, 2020, 2021 and 2022, the Township will inspect 20% of our homes in each year as part of the five-year cycle.
- Annual Reassessment in 2018 showed a 4.2% total increase in the net taxable valuation of the Township.
- The market data showed a 5% to 7% home price increase in New Jersey in 2018. This was evident in some of the assessment adjustments throughout the Township.

Township Annual Reassessment in 2018

Begin 2018 - \$6,330,752,200
Begin 2019- \$6,602,200,00(estimate)

One -year increase of \$271,447,800 or 4.30%.
Results in a downward rate adjustment of -1.04 of a cent before 2019 levy adjustment and before tax appeals are finalized.

The net change in available taxes as a result of the change in assessment value is ZERO.

Open space trust levy will change by \$81,434, same 4.3%, with net positive change in ratables. This will be slightly reduced after tax appeals are final.

2% Levy and Appropriation Caps

The Freehold Township’s 2019 municipal budget is \$137,361 under the State mandated 2% levy cap. The Municipal Budget is \$1,308,999 under the State mandated appropriation cap.

The exemptions were reviewed. The total allowable new levy is \$555,516 and the total new levy used is \$418,155

For the last five years, the Freehold Township tax levy is \$1,535,464 under the allowable levy cap.

Municipal Budget Annual Comparison

The slide showed figures of 2018 and 2019 and the percent of change between them.

Total budget, State Aid, Municipal Revenue, Fund Balance and Amount to be raised. The Tax Rate (calculated using pre and post assessment values) – 2018 Valuation will be 34.5 cents, which is +0.6 cent increase and the Actual Rate is 33.9 cents, which is -0.8 cent decrease.

Impact on a Homeowner

Mr. Valesi showed a chart comparing Freehold Township to surrounding towns. We have the lowest municipal tax rate out of 6 surrounding towns.

The average assessment on a home in Freehold Township is \$420,287 with the new tax rate the monthly increase would be \$0.92, for a total yearly increase of \$620

Municipal Expense Breakdown by Category

2019 figures

Public Safety & Police	\$10,474,447.21	25.2%
Insurance & Group Benefits	7,312,638.62	17.6%
Debt Payment and Service	4,845,529.00	11.6%
Public Works and Infrastructure	3,990,850.00	9.6%
Pensions, FICA, Medicare	3,961,405.16	9.5%
Reserve for Uncollected Taxes	1,938,612.50	4.7%
Government & Policy	1,295,500.00	3.1%
Utilities	1,153,000.00	2.8%
Aid to Schools and Condos	1,070,975.00	2.6%
Financial and Revenue Admin	936,250.00	2.3%
Shared Services	862,736.00	2.1%
Parks & Recreation	780,200.00	1.9%

Engineering, Planning & Zoning	775,850.00	1.9%
Construction & Code	651,300.00	1.6%
Municipal Court	492,400.00	1.2%
Public Health	484,750.00	1.2%
Information Technology	305,000.00	0.7%
Grants - incl. Local Share	267,029.43	0.6%
 Total Budget		 100.0%

Water & Sewer Utility Highlights

Mr. Valesi reviewed that our water and sewer utility is self-liquidating, requiring funds to be used solely for the operation of the Utility.

- The Utility experienced a flat year with regard to surplus generation, but this is really only because a major MRRSA expense wasn't able to be paid until 2019 for very high treatment fees from excess rainfall.
- The inflow of rainfall results in a 9.5% increase in the 2019 utility budget (to \$14.6M) to absorb a \$1,500,000 overage on sewer treatment charges. This should result in a reduction in the Utility Budget in 2020.
- We delayed the Gravel Hill Road Tank Project until steel prices stabilize. Bids came in much higher than expected.
- Freehold Township Water and Sewer rates remain among the lowest in the State, and the lowest in Monmouth County.
- The Township recently completed a meter replacement program, the new meters are much more accurate and allow us to remotely read and track usage, the new meters have reduced our unaccounted for water by approximately 3%, or 40 MG, which saves the Township approximately \$140,000 per year.
- We are in the final phase of a SCADA system upgrade to operate and monitor the Township's water and sewer utility. This upgrade provides increased security and operator interface with the water plants and wastewater pump stations.

Throughout the presentation various discussions ensued on certain parameters of the budget.

Mayor McMorrow asked for any comments from the public.

JJ Mistretta, 506-8 Harding Rd, asked about cyber security.

Mr. Valesi said we have an advanced IT Department. They are constantly updating our system, and backing up our data. He mentioned that we were hacked on 1/1/2019, and we were able to restore all of our data and our files. He said we don't have any personnel information on our website. The residents that pay taxes via the website goes through a private third party vendor, it is not stored on the website.

Ms. Mistretta thanked Mr. Valesi and Mrs. Campbell for a great presentation.

Jim Franklin, 119 Lancaster Road, asked about the amount of \$950,000 for the schools.

Mr. Valesi explained that \$950,000 is a mandatory amount from the State that has to go to the schools.

Mr. Franklin asked about who voted to give permission to have Police Officers in the Township schools.

Mr. Cook said the school districts requested the Committee to have Class III Police Officers in the schools. The Committee discussed the matter with Board of Education, and voted to pass the resolution. Mr. Cook explained that Class III Officers were created by the State for the schools. The Class III Officers who are paid hourly and are not eligible for any benefits.

Mr. Franklin asked who pays the Police Officer that works at the DMV?

Mr. Valesi said the Department of Motor Vehicle pays for the officer. There is no cost to the Township.

He also asked about any updates regarding the Freehold Mall Commuter Lot.

Mr. Valesi said we were successful during the first step of the eminent domain; we have the possession of the lot but we are in the next phase, the cost of the lot.

There being no further comments or questions, Mayor McMorrow closed the public hearing.

She asked for any comments from the dais.

The Township Committee Members thanked Mr. Valesi and Mrs. Campbell for all of their hard work on the budget.

Meeting adjourned at 10:49 am

Sanabel Abouzeina- Deputy Township Clerk