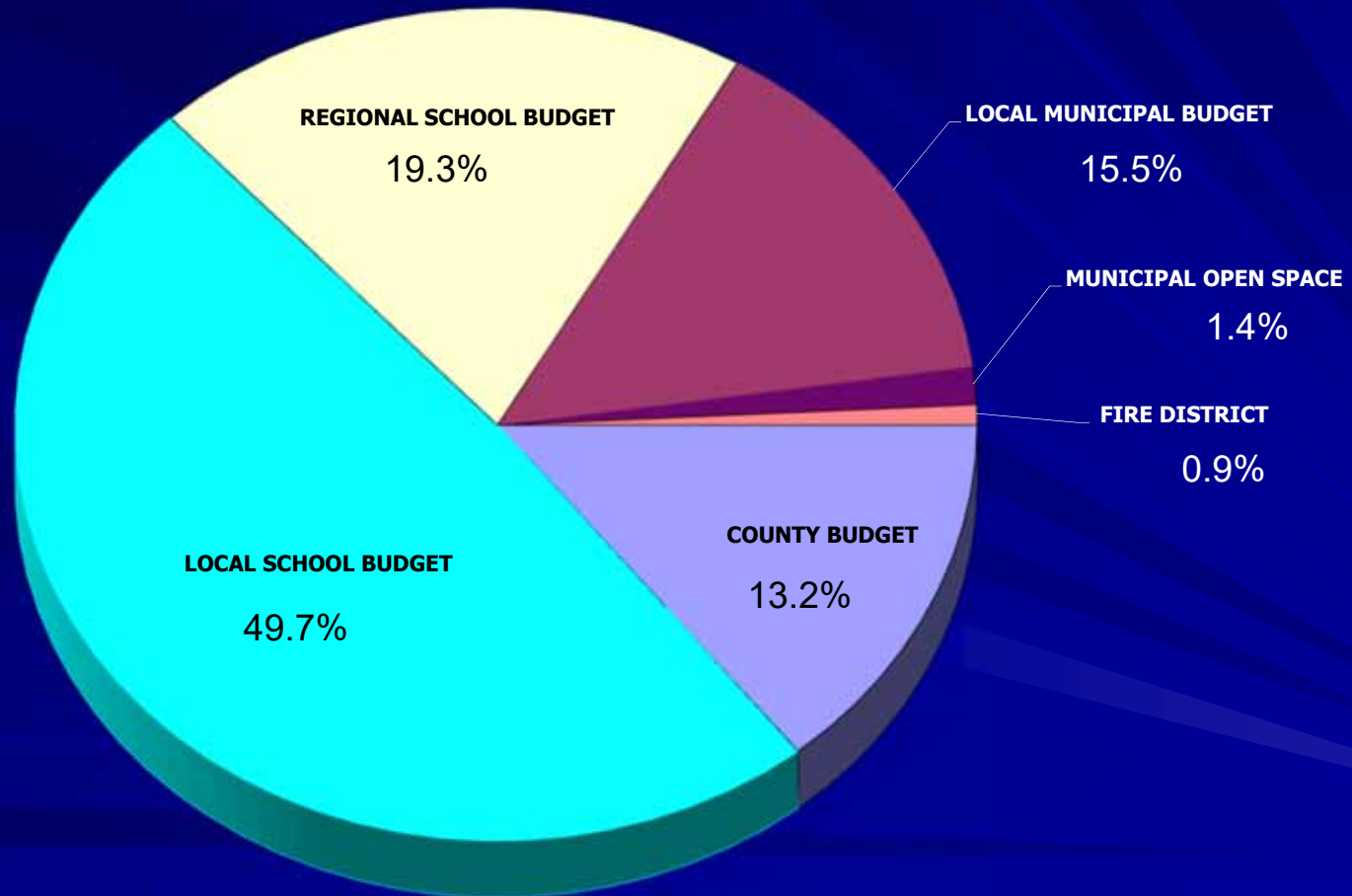


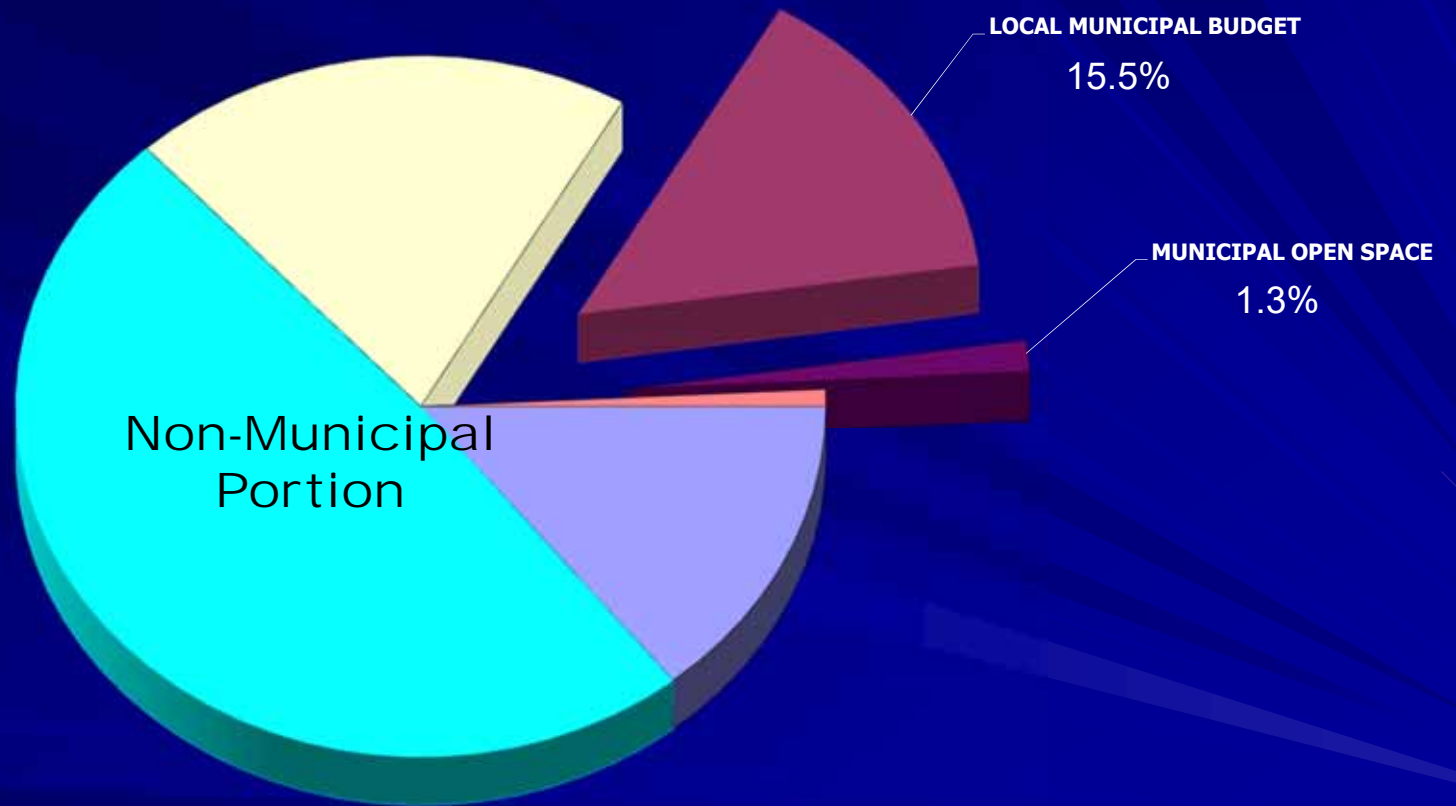


2020 Municipal Budget

Where Freehold Township Tax Dollars Go....



Breaking Down the Municipal Portion of your taxes....



What do I get for my 16 percent?

Essential Services

- Infrastructure and Roadways
- Police & Public Safety
- Public Works & Shade Tree
- Engineering & Planning
- Public Health Services
- Municipal Court & Justice
- Tax Collection & Distribution
- Property Assessment
- Registrar Services
- Code & Housing Enforcement
- Emergency Notification System
- Curbside Recycling

Quality-of-Life Services

- Recreation Programs
- Township Parks
- Sports Playing Fields
- Senior Center
- Alcohol & Drug Prevention
- Summer Camp Program
- Open Space Acquisition
- Open Space Maintenance
- Farmland Preservation
- Affordable Housing
- Commuter Parking
- Historic Preservation

Results of 2019 Operations

- 2019 Operations were net positive for the regeneration of surplus and for positive cash flow:
 - Percent of fund balance in reserve increased from 35% to 36%
 - Amount of reserve as a percent of tax levy rose from 17% to 19%
- Surplus was regenerated, and the outlook for surplus regeneration looks positive into 2020.
- 2016 through 2020 budgets combined have over \$1,000,000 remaining under the levy cap (this equates to approximately 1.5 cents (or 4.4%) on the tax rate).
- Collection rate remains high, which has stabilized our reserve for uncollected taxes at just over \$2M.

2020 Budget Structure

- State Aid is flat again for the eighth year in a row, which is over \$3M lower than our maximum level. The State has cost the taxpayers of Freehold Township over \$33,800,000 over the last twelve years through its reduction and freezing of Municipal Aid.
- State Aid numbers have not been released, but we have used last year as a guide to structure the 2020 budget, which is consistent with previous years.
- Debt Service continues to be in line with expectations as we continue a consistent plan to ensure that debt service stays within a set range. In 2020, debt service increased by less than 1%
- As in the previous several years, our Budget includes the addition of \$400K into our Capital Improvement Fund to allow for a continuation of our debt strategy.

2020 COVID-19 Planning

The COVID-19 Pandemic will have a profound effect on the local economy, and will in turn have a significant effect on the 2020 Freehold Township Budget. The operational changes have already resulted in significant financial contingencies, most of which will not be properly quantified until the 2020 budget is closed out in early 2021. The following are just a few of the possible unknowns that we continue to track:

- The Municipal State Aid in the form of “Energy Receipts Tax” is normally paid on fixed dates throughout the year. With the State’s Fiscal year pushed to September 2020, this delivery of aid is uncertain.
- Court fines will be lower by 30% to 50%.
- Construction permit fees will be lower by 25% to 45%
- Hotel/Motel Fees will be lower by 40% to 60%
- Interest on Investments will be lower by 40% to 50%
- Tax delinquencies may increase beyond our Reserve for Uncollected Taxes
- Municipal Alliance funding for the DEDR Grant has been suspended
- Payroll expenses relating to the Department of Health will likely increase
- Fees collected for Planning Board permits will be lower by 15% to 25%

2020 Budget Highlights

Health Insurance

- Self Insurance for Group Healthcare continues to show savings and has provided over \$3.96M in reserve to stabilize this line item. The reserve accounts for 51% of the annual healthcare budget.
- In 2020, the total budget for healthcare increased by 1.2%, which is below the market rate for group health insurance premiums for an employer of our size. Participants contribute approximately \$1,150,000 back to the Township to offset the overall taxpayer cost for their health benefits.
- We anticipate that claims dollars will continue to be in line with expectations and, as such, have pledged \$1,250,000 of the \$3,960,000 trust balance to offset estimated 2020 claims.
 - 2013 Savings = \$410,000;
 - 2014 Savings = \$830,000;
 - 2015 Savings = \$360,000;
 - 2016 Savings = \$120,000;
 - 2017 Savings = \$850,000;
 - 2018 Savings = \$710,000;
 - 2019 Savings = \$680,000; (estimated)

= \$3.96M in Healthcare Trust Fund

Continued Next Page

2020 Budget Highlights

Personnel

- Employee turnover has been high with several key retirements, resignations and departmental reorganizations. This creates some budget spikes and drops in various departments as we implement our individual succession plans.
- Freehold Township employees as compared to last year:
 - 190 full-time employees vs. 199 last year
 - 74 part-time employees vs. 68 last year
 - The Township currently has 22 vacancies, where we were considering only 8 vacancies last year.
 - Some of the vacancies are pre-filling upcoming retirements of police officers and key staff.
 - Total “positions” are 286 vs. 275 last year.
- We are the lead agency on many shared services agreements with neighboring and local towns.
 - Budgeted Shared Services Revenue for 2020 = \$950,000
 - Total Shared Services Revenue in 2019 = \$1,129,588
 - Approximately 36 F/T employees provide services

2020 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 \$38,000 balance, which exceeds the amount needed for 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 (\$425,000 in 2019.)
- The Township analyzes and readjusts the accumulation of leave each year and revises the Sick Leave Trust and/or Accounts Payable.
- The 2020 budget includes a \$35,000 line item for Accumulated Sick Leave, which will either be used or placed in the Trust.

2020 Budget Highlights

Major Drivers of Costs and Revenues

- Recycling costs have increased in recent years as a major change in how recycling is disposed of and used takes effect. In 2020, we increased our recycling budget by \$75,000 (or 12%) to account for increased disposal fees.
- It is likely that the COVID-19 issues that are currently taking shape in the economy will have ripple effects on housing, construction, tax collections, area business occupancy, hotel/motel fees, and other revenue and expense related items. It would be premature to account for them in the 2020 budget, but the budget is positioned with contingencies to handle revenue and expense variations.
- Securing the Burlington Coat Factory commuter lot by eminent domain resulted in significant legal expenses in 2019, and the trial took place in early 2020, adding more costs to this year's budget. The ultimate cost of the lot will be approximately \$1.3M when the court judgement is finalized.
- Interest rates are fluctuating with the current market conditions, which will make our investment income and our note sale in 2020 a variable. We are positively positioned for this factor and will be able to accommodate any negative impact.

2020 Notable Revenue Changes

Difference between 2019 and 2020 budget revenues

| | | |
|----------------------------|-----------|-------------------|
| Surplus Anticipated | \$ | 611,141.00 |
|----------------------------|-----------|-------------------|

| | | |
|------------------------|-----------|------------------|
| Health Services | \$ | 37,000.00 |
|------------------------|-----------|------------------|

| | | |
|--|-----------|---------------------|
| Fines & Costs - Municipal Court | \$ | (100,000.00) |
|--|-----------|---------------------|

| | | |
|--|-----------|---------------------|
| Fees & Permits - Construction | \$ | (100,000.00) |
|--|-----------|---------------------|

| | | |
|----------------------------|-----------|--------------------|
| Uniform Fire Safety | \$ | (27,665.79) |
|----------------------------|-----------|--------------------|

| | | |
|-------------------------|-----------|--------------------|
| VNA Health Group | \$ | (22,175.00) |
|-------------------------|-----------|--------------------|

2020 Major Added Costs

Difference between 2019 and 2020 budget appropriations

| | |
|---|---------------------|
| Payment of Bond Principal | \$455,000.00 |
| Police - S & W | \$286,000.00 |
| MCIA Pooled Lease - Principal | \$260,207.00 |
| Police & Firemen's Retirement System | \$147,361.54 |
| Interest on Bonds | \$127,131.00 |
| Reserve for Uncollected Taxes | \$123,387.50 |
| Police - Vehicle Purchase | \$83,000.00 |
| Group Insurance for Employees | \$77,258.58 |
| Recycling - Other Expenses | \$75,000.00 |
| Streets and Road Maintenance - S & W | \$55,000.00 |

Police Cars, Insurance and Recycling increases were \$249,000, which accounts for approximately 55% of the total increase in operating expenses.

Major Cost Decreases in Expenses

Difference between 2019 and 2020 budget appropriations

| | |
|---|-----------------------|
| Payment of Bond Anticipation Notes | (\$497,400.00) |
| Interest on Notes | (\$343,132.00) |
| Equipment Maintenance - S & W | (\$38,000.00) |
| Recycling - S & W | (\$20,000.00) |
| Recreation Services/Programs - S & W | (\$19,000.00) |
| MCIA Bonds - Interest | (\$12,580.00) |
| Municipal Clerk - S & W | (\$12,000.00) |
| Automotive Services | (\$11,200.00) |

Investing in Infrastructure

Freehold Township has an aggressive approach to maintaining and enhancing the Township's infrastructure. A number of completed, current and planned projects are the focus of this strategy, some of which are:

- Annual Road Overlay Program
- Water Meter Replacement Project
- Rehabilitation of Wells 14 and 15
- Rehabilitation of Well No. 3
- Utility Control System Upgrades
- DPW Recycling Center Improvements
- Critical Facility Generator Projects
- GIS & Asset Management Inventory
- Wynnefield Area Infrastructure
- Municipal Building Improvements
- Elton Corner P.S. Rehabilitation
- Gully Road P.S. Pump Rebuild
- Water Storage Tank Cleaning
- Replace Lafayette Court Water Main
- Dancer Farms Pump Station Demo
- Internal Inspection of all force mains
- Sanitary Sewer Relining Project
- Iron Bridge Road Improvements
- Stonehurst Boulevard Improvements
- DPW Yard Resurfacing Project
- Roadway Preservation Program
- Silvers Road Right-of-Way Acquisition
- Michael J. Tighe Park Bathrooms
- Jackson Mill Road Park Bathrooms
- Opatut Park "My Playground"
- Burke Road Landfill Cover

Debt Service and Capital Management

Freehold Township received a AAA bond rating from Moody's in 2019, resulting in one of the most aggressive bond pricings ever for the Township.

The Freehold Township budget retires debt in the same manner and amount that it accumulates, making for a stable debt service strategy.

Debt Service and Capital Management

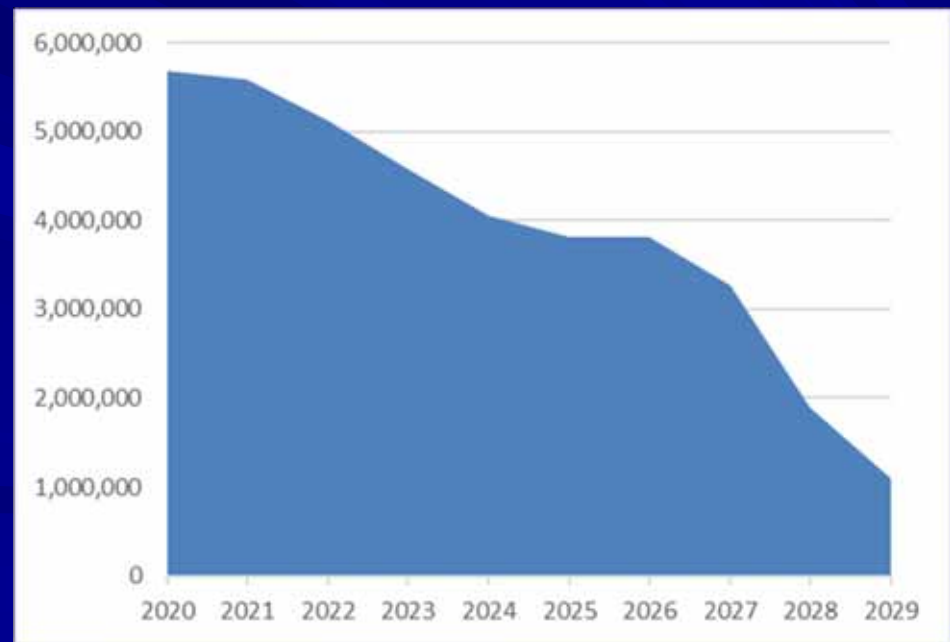
Freehold Township routinely retires debt inside a period of ten years.

More importantly, the debt is structured to be nearly 70% retired in five years or fewer.

This strategy ensures that the Township retires debt from current infrastructure and does not have redundant debt service for by maintaining principal beyond its useful life.

| FY Ending 31-Dec | Principal Due* | Debt Service* | Principal Paid Off | Percentage Paid Off |
|---------------------|---------------------|---------------------|-----------------------|------------------------|
| 2020 | 4,704,000 | 5,676,823 | 4,704,000 | 12.85% |
| 2021 | 4,755,000 | 5,582,656 | 9,459,000 | 25.84% |
| 2022 | 4,445,000 | 5,127,181 | 13,904,000 | 37.99% |
| 2023 | 4,020,000 | 4,578,756 | 17,924,000 | 48.97% |
| 2024 | 3,595,000 | 4,042,981 | 21,519,000 | 58.80% |
| 2025 | 3,440,000 | 3,807,756 | 24,959,000 | 68.20% |
| 2026 | 3,535,000 | 3,817,519 | 28,494,000 | 77.85% |
| 2027 | 3,085,000 | 3,266,081 | 31,579,000 | 86.28% |
| 2028 | 1,800,000 | 1,892,013 | 33,379,000 | 91.20% |
| 2029 | 1,070,000 | 1,102,200 | 34,449,000 | 94.13% |
| 2030 | 1,075,000 | 1,096,500 | 35,524,000 | 97.06% |
| 2031 | 1,075,000 | 1,085,750 | 36,599,000 | 100.00% |
| Total | \$36,599,000 | \$41,076,217 | | |

* Outstanding Debt Includes General and Water/Sewer Utility Bonds



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 2019, we inspected 20% of the Town in the second year of our five-year cycle of home assessment inspections.
- In 2020, 2021 and 2022, the Township will inspect 20% of our homes in each year as part of the five-year cycle that started in 2019.
- Annual Reassessment in 2019 showed a 1.9% total increase in the net taxable valuation of the Township.
- The market data showed a 2% to 3% home price increase in New Jersey in 2019. This was evident in some of the assessment adjustments throughout the Township.

Township Annual Reassessment in 2019

What effect does it have?

Begin 2019 **\$6,602,200,000**

Begin 2020 (est.) **\$6,724,200,000**

One-year increase of \$122,000,000 or 1.84%

results in a downward rate adjustment of -0.61 cents before 2020 levy adjustment and before tax appeals are finalized.

The net change in available taxes for the Freehold Township Municipal Budget as a result of the change in assessment value is **ZERO**.

Open Space Trust Levy will change by \$36,600, the same 1.84% as our net positive change in ratables. This will be slightly reduced after tax appeals are final.

2% Levy and Appropriation Caps

Freehold Township's 2020 Municipal Budget is \$20,810
under the State mandated 2% levy cap.

Freehold Township's 2020 Municipal Budget is \$1,014,266
under the State mandated appropriation cap.

Freehold Township allowable levy under cap = \$438,012

Adjustment for new assessed ratables = \$ 95,470

Plus levy credit for PFRS Pension increase = \$110,716

Total Allowable New Levy = \$ 677,828

Total New Levy Used = \$ 657,018

For the last five years, the Freehold Township tax levy is

\$1,070,697

Under the allowable levy cap.

Municipal Budget Annual Comparison

| | <u>2019</u> | <u>2020</u> | <u>Change</u> | <u>Dollar Change</u> |
|----------------------------------|--|--------------|---------------|----------------------|
| Total Budget | \$ 41,603,974 | \$42,592,319 | + 2.4% | +\$998,345 |
| State Aid | \$ 7,436,315 | \$7,436,315 | 0.0% | (\$0) |
| Muni Revenue | \$ 2,604,426 | \$2,396,269 | - 0.8% | -\$208,157) |
| Fund Balance | \$ 6,928,357 | \$7,539,498 | + 8.8% | +\$611,141 |
| Amount to Be Raised | \$ 21,900,601 | \$22,557,619 | + 3.0% | +\$657,018 |
| <u>Tax Rate</u> | (calculated using pre and post reassessment values) | | | |
| Using 2019 Valuation | 33.2 ¢ | 34.2 ¢ | + 1.0 ¢ | |
| Actual Rates ('19 to '20) | 33.2 ¢ | 33.6 ¢ | + 0.4 ¢ | |

Impact on Average Homeowners

Annual Taxes for Municipal Purposes

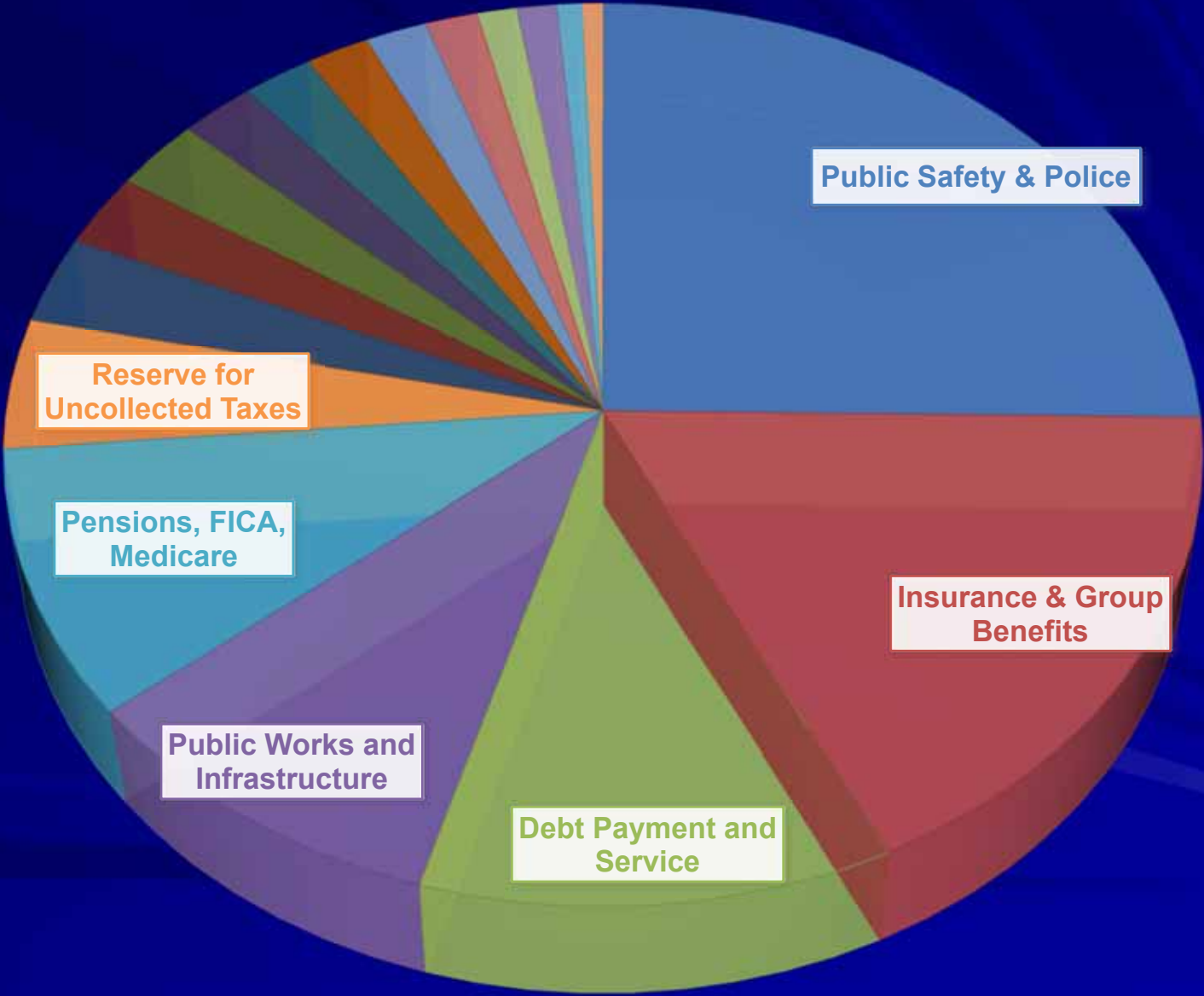
| <u>Assessments</u> | | <u>2019</u> | <u>Annual</u> | <u>Monthly</u> | <u>2020</u> |
|--------------------|----------------|----------------|---------------|----------------|----------------|
| <u>2019</u> | <u>2020</u> | <u>Tax</u> | <u>Change</u> | <u>Change</u> | <u>Total</u> |
| 187,000 | 189,500 | \$620 | \$17 | \$1.42 | \$637 |
| 332,500 | 337,000 | \$1,104 | \$28 | \$2.33 | \$1,132 |
| 420,287* | 426,464 | \$1,395 | \$38 | \$3.17 | \$1,433 |
| 575,000 | 585,000 | \$1,909 | \$57 | \$4.75 | \$1,966 |
| 726,000 | 737,000 | \$2,410 | \$66 | \$5.50 | \$2,476 |

***This amount represents the 2019 average assessed home
New average assessed home in 2020 is \$426,464**

Municipal Expense Breakdown by Category

| | <u>2020</u> | |
|---------------------------------|------------------|---------------|
| Public Safety & Police | \$ 10,875,653.00 | 25.5% |
| Insurance & Group Benefits | \$ 7,403,880.00 | 17.4% |
| Debt Payment and Service | \$ 4,888,159.00 | 11.5% |
| Pensions, FICA, Medicare | \$ 4,124,715.00 | 9.7% |
| Public Works and Infrastructure | \$ 4,102,850.00 | 9.6% |
| Reserve for Uncollected Taxes | \$ 2,062,000.00 | 4.8% |
| Government & Policy | \$ 1,296,301.00 | 3.0% |
| Utilities | \$ 1,153,000.00 | 2.7% |
| Aid to Schools and Condos | \$ 1,072,559.00 | 2.5% |
| Financial and Revenue Admin | \$ 948,745.00 | 2.2% |
| Shared Services | \$ 889,894.00 | 2.1% |
| Engineering, Planning & Zoning | \$ 834,850.00 | 2.0% |
| Parks & Recreation | \$ 772,200.00 | 1.8% |
| Construction & Code | \$ 679,100.00 | 1.6% |
| Municipal Court | \$ 505,400.00 | 1.2% |
| Public Health | \$ 478,484.00 | 1.1% |
| Information Technology | \$ 311,000.00 | 0.7% |
| Grants - incl. Local Share | \$ 258,489.92 | 0.6% |
| Total Budget | | 100.0% |

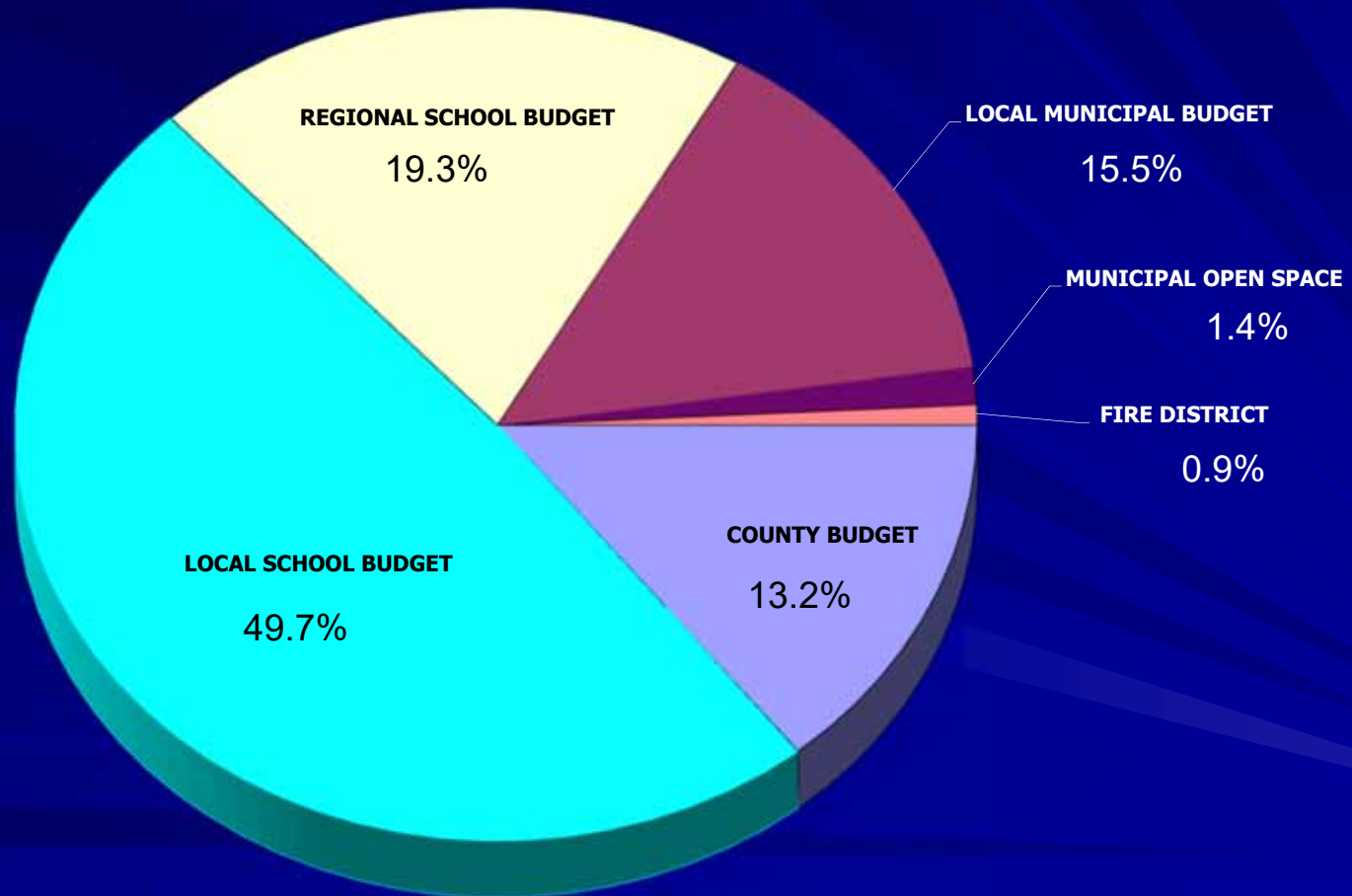
Breakdown of Municipal Appropriations by Category



Water & Sewer Utility Highlights

- The Freehold Township Dedicated Water & Sewer Utility is self-liquidating, requiring funds to be used solely for the operation of the Utility.
- Excess rainfall in 2018 and 2019 negatively affected revenue and expense numbers. The Township Committee utilized available surplus as revenue in the budget in order to maintain our low rates.
- With last year's spike in expenses, the overall budget appropriations for the utility are down 5.7%, and the Utility is using \$1.2M less in surplus as revenue in the 2020 budget.
- We are still delaying 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.

Where Freehold Township Tax Dollars Go....





2020 Municipal Budget