

FREEHOLD TOWNSHIP BUDGET REVIEW MINUTES

MARCH 24, 2018

At 11:00 am the Township Committee met in Room 214 in the Municipal Building.

Mayor Ammiano 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 8, 2018 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, Mrs. McMorrow , Mr. Preston, Mr. Salkin and Mayor Ammiano

Absent: None

Also in attendance: Peter Valesi, Township Administrator, Catherine Campbell, CFO and Theresa Patino, Township Clerk

Review of 2018 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:

- We maintain approximately 33% of our end of year balance in surplus.
- Municipal revenue exceeded our targets by 38% aiding to the regeneration of our surplus.
- Strategic Reserves on the AFS continue to add to long-term tax stabilization.
- Amount of reserve compared to the tax levy rose from 11.6% to 14.6%.
- 2015, 2016, 2017 and 2018 budgets combined have left over \$1,398,104 remaining under the levy cap.
- Collection Rate remains high, which has stabilized our reserve for uncollected taxes at just below \$2M.

2018 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 \$32,000,000 over the last ten years.
- State aid mandatory transfer to local and regional school districts increased by 0.5% to a total of \$951,456

- Debt service continues to be in line with expectations, ensuring that the debt service increase or decreases stay at or below plus or minus 5%.
- As in 2017, the 2018 Budget includes the addition of \$400K into our Capital Improvement Fund to allow for continuation of our debt strategy.
- In 2019, a major refunding instrument will be retired that will result in an approximate drop of \$990K in our total debt service.

2018 Budget Highlights – Health Insurance

- Self-insurance for Group Healthcare continues to show savings and provides a stable environment for the budget and provides over \$2,570,000 in reserves to stabilize this line item.
 - In 2018, the Healthcare Budget increased 0.90%, 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 \$800,000 of the \$2,570,000 trust balance to offset the claims fund generation estimates.
- 2013 savings = \$410,000
 - 2014 savings = \$830,000
 - 2015 savings = \$360,000
 - 2016 savings = \$120,000
 - 2017 savings = \$850,000
- 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 16.2% per year (139% since 2012)
 - The difference amounts to an annual savings of \$5.5M per year in the Township's healthcare budget.

2018 Budget Highlights- Personnel

Total Freehold Township full-time employees are two less than last year.

We are currently considering options on 8 vacancies.

We are the lead agency on many shared services.

*Estimated shared services revenue - \$535,000

*Approximately 26 full time employees provide shared services.

Various other highlights were explained.

2018 Budget Structure- Personnel

Personnel salary and wages are 1.68% higher than in 2017 as a result of our 5-year labor agreements, supplementing F/T positions with P/T personnel and allocation of salaries to shared services.

- Factors have led to swings in the percentage increase or decrease in the budgeted salaries for some departments:
- Several retirements, promotions and departmental restructures in 2017 and some planned for 2018 and beyond
- Purchasing Agent, Tax Collection, Code Enforcement, Housing and Uniform Construction Code
- Shared Services Agreements with other municipalities that leverage employment positions in the Township with revenue for services
- Salary movement of the Code Enforcement, Zoning and Fire Code Departments are in anticipation of the revenue from our new Landlord Registration program that will more than support the additional personnel.

2018 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 \$50,000 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 (\$455,000 in 2017.)
- The Township analyzes and readjusts the Trust and Accounts Payable accumulation of leave each year, which has decreased in recent years.

2018 Budget Highlights- Labor Agreements

- Four Union Contracts were settled this year with the following annual increases:

PBA

- 5 years through 2021
- Average of 2.1% salary increase for existing officers
- Addition of 6 more salary steps resulting in over \$300,000 in savings for new officers hired after 2016 and starting salary reduced by 11%

SOA

- 5 Years through 2021
- Average of 2.1% salary increase
- Concessions on Longevity Pay, College Pay and Paid Leave with long term elimination of these benefits

CWA and IUOE

- 5 years through 2021
- Average increment of 1.5% on implemented tiered salary guide
- Concessions on healthcare ending at Medicare and payment for healthcare premiums above Chapter 78 levels

2018 Major Revenue Changes

(Difference between 2017 and 2018 budget revenues)

Receipts from delinquent taxes -	(185,000.00)
Health Service (upper Freehold ended)	(69,411.00)
Automotive Shared Services	(25,000.00)
Construction Code (Jackson) -	(11,105.00)
Surplus Anticipated	\$ 620,872.00
Capital Fund Surplus	\$145,445.94
Interest on investment & Deposits	\$65,000.00
Uniform Fire Safety	\$40,331.00

2018 Major Added Costs

(Difference between 2017 and 2018 budget appropriations)

Payment of Bond Principal	305,000
Police- S & W	251,000
Police & Fireman’s Retirement System	199,450
MCIA Pooled Lease Principal & Interest	168,599
Interest on Bonds	105,614

Streets and Road Maintenance – S & W	62,000
Snow Removal- S & W	60,000
Group Insurance for Employees	53,610
Tax Assessment Reserve for Tax Appeals	50,000
Police- Vehicle Purchase	30,000

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

Major Cost Decreases in Expenses

(Difference between 2017 and 2018 budget appropriations)

Payment of Bond Anticipation Notes	(300,000)
Salaries and Wages- Health Shared Service	(62,000)
Building & Grounds S & W	(56,000)
Tax Assessment inspections	(51,048)
Street Lighting	(50,000)
Interest on Notes	(37,500)
Purchasing S & W	(29,000)
Information Technology – S & W	(17,000)
Financial Administration- Other Expenses	(19,400)

Mr. Valesi discussed the reasons for the decreases.

12:00 pm Mayor Ammiano called for five minutes recess,
12:10 pm meeting resumed

Investing in Infrastructure

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

<u>2015</u>	<u>\$6,788,000</u>
<u>2016</u>	<u>\$6,490,000</u>
<u>2017</u>	<u>\$5,376,000</u>
<u>2018</u>	<u>\$6,250,000 (estimated)</u>

- Annual Road Overlay Program
- Water Meter Replacement Project
- DPW Equipment Staging Facility
- Rehabilitation of Wells 11 and 14
- Utility Control System Upgrades
- Rehabilitation of Well No. 15
- Senior Center Parking and Access
- Storm Sewer and Drainage Projects
- Stonehurst Blvd Bridge Replacement
- Critical Facility Generator Projects
- Willowbrook Road Reconstruction
- Double Creek Parkway - Phase I & II
- GIS & Asset Management Inventory
- Wynnefield Area Infrastructure
- Municipal Building Improvements
- Sanitary Sewer Relining Project
- Above Ground Fuel Tank Project
- Plymouth Drive Culvert Project
- Wemrock Road Improvements
- Burlington Road Improvements - Ph II

Debt Service and Capital Management

2017 debt service down 4.9%.

2018 debt service up 5.4%

Total new debt incurred - \$30,892,000

Total principal paid off - \$37,037,000

Reduction in debt – (\$6,145,000)

For 2017 - \$4.810M new debt in notes

\$4.433M principal paid off

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.

Annual Tax Assessment Program

Freehold Township continues to use adopted “Somerset County Model” in order to have our assessment keep pace with the annual assessments in Monmouth County. Various details of the program were discussed.

- In 2017, we inspected 40% of the town to complete our previous four-year cycle.
- Cost of inspections increased in 2017 from \$55k to \$111k because of doubled inspection rate.
- 2018 will be the first year of our five-year program, so the expense will again drop to the \$55k figure.
- Annual Reassessment in 2017 showed a 3.0% total increase in net valuation value of the Township.
- The market data shows a 3% to 5% home price increase in New Jersey in 2017. This was evident in some of the assessment adjustment

Township Annual Reassessment in 2017

Begin 2017 - \$6,146,200,000

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

One -year increase of \$184,550,000 or 3.00%.

Results in a downward rate adjustment of -1.04 of a cent before 2018 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 \$55,365, same 3.00%, 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 2018 municipal budget is \$511,061 under the State mandated 2% levy cap. The Municipal Budget is \$2,315,379 under the State mandated appropriation cap.

The exemptions were reviewed. The total allowable new levy is \$724,598 and the total new levy used is \$213,537

Municipal Budget Annual Comparison

The slide showed figures of 2017 and 2018 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) – 2017 Valuation will be 34.9 cents, which is +0.3 cent increase and the Actual Rate is 34.5 cents, which is -0.7 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 \$402,344 with the new tax rate the monthly increase would be \$1.58, for a total yearly increase of \$19.00

Municipal Expense Breakdown by Category

2018 figures

Public Safety	\$9,912,852	24.6%
Insurance	6,825,632	16.9%
Debt Service	5,132,411	12.7%
Pension, FCIA, Medicare	3,951,571	9.8%
Public Works	3,682,350	9.1%
Reserve Uncollected Taxes	1,939,249	4.8%
Utilities	1,272,000	3.2%
Government & policy	1,269,650	3.1%
Aid to Schools/Condos	1,073,644	2.6%
Shared Services	595,560	1.5%
Financial/Revenue Admin	930,600	2.3%
Recreation	759,200	1.9%
Engineering/Planning/Zoning	710,850	1.8%
Construction & Code	627,300	1.6%
Public Health	537,540	1.3%
Municipal Court	500,300	1.2%
Information Technology	335,000	0.8%
Grants – Local Share	309,923	0.8%

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 and that revenues should be equal to expenses.

Revenues for the utility were over targets, which resulted in positive surplus generation of 4.6%.

Total appropriation for the Utility are flat from 2017 to 2018 at \$13.38M, and salary items are down 0.5%.

Major project planned for a \$2.5M Gravel Hill Road Storage Tank Construction and Hospital Water Tank Decommissioning will bid in April

MRRSA rate for sewer conveyance and treatment fees went up 3.0% from 2017 to 2018. This equates to approximately \$160,000 annually if flows are equal year to year.

The Committee passed resolutions in 2014, 2015, 2016 and 2017 to freeze rates at current levels for four years.

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

Mayor Ammiano asked for any comments from the public.

Jim Franklin, 119 Lancaster Road, asked about the user friendly budget and when the actual budget with detailed amounts for 2017 will be available on the website.

Mrs. Campbell explained that the State of NJ is implementing a new financial automated system in order to have access to the user friendly budget. She said the system is not working properly yet. The State is working on fixing the new system

She said after the introduction of the budget which is scheduled for March 26, 2018, the detailed budget will be available on the Township website for the public to review.

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

He 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 12:45 pm.

Theresa Patino- Township Clerk