

FREEHOLD TOWNSHIP BUDGET REVIEW MINUTES

March 25, 2023

At 9:00 a.m., the Township Committee met in Room 214 in the Municipal Building.

Mayor Walker read the Open Public Meetings Act:

“In accordance with the Open Public Meetings Law, (c. 231 P.L. 1975), this Meeting was announced on January 9, 2023 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. Ammiano, Mr. Cook, Mrs. Fasano, Mr. Preston, Mayor Walker

Absent: None

Also, in attendance: Peter Valesi, Township Administrator, Sanabel Abouzeina, Township Clerk.

Review of 2023 Municipal Budget

Mr. Valesi gave a power point presentation.

What do I get for my 17%?

Essential Services

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

Quality-of-Life Services

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

Results of 2022 Operations

- Revenue and expense categories continued to improve since the low point in 2020, increasing some revenue line items as operations began to return to normal.
- Year-one of the American Rescue Plan funding will be repeated this year in the second year of the three-year funding cycle, altering some of the budget line items during the term of the funding cycle.
- Municipal revenue hit our targets, exceeding our conservative revenue projections, which aided in bolstering the available surplus.
- As usual, Freehold Township's tax collection rate remains strong at 99.3% compared to the same rate as last year.
- Strong year-end numbers from Construction and increased income from investments aided in surplus regeneration.

2023 Budget Structure

- Significant management changes in personnel across Engineering, Municipal Court, and Tax Assessing have affected some of those budget line items from last year.
- The abrupt rise in interest rates has affected our debt service for 2023, leading to a higher cost of borrowing. The Township still has significant low-interest debt in our profile, but short-term and new debt are at significantly higher rates.
- The Township's health insurance benefits plan experienced a significant premium increase this year, even though the Township experienced a net excess in 2022 operations in that area. This is due to a delay in claims experience from lower priced plans that will ultimately drive down costs.
- 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.

2023 Budget Highlights- Health Insurance

- Self-Insurance for Group Healthcare continues to show savings over the life of the plan and has provided approximately \$5.10M in reserve to stabilize this line item. The reserve accounts for 45% of the annual healthcare budget.
- In 2021, the Township marked its first year that we exceeded our expected claims generation. However, as expected, that was an anomaly which quickly turned around for 2022 into a net surplus.
- - 2013 Savings = \$410,000;
 - 2014 Savings = \$830,000;
 - 2015 Savings = \$360,000; **= \$5.36M in Healthcare Trust Fund**
 - 2016 Savings = \$120,000;
 - 2017 Savings = \$850,000;
 - 2018 Savings = \$710,000;
 - 2019 Savings = \$670,000;
 - 2020 Savings = \$830,000;
 - 2021 Reduction = -(\$150,000);
 - 2022 Savings= \$730,000 (pending final accounting)

2023 Budget Highlights- Personnel

- Several key retirements, resignations and departmental reorganizations have created some budgetary fluctuations in various departments as we implement succession plans.
- Freehold Township employees as compared to last year:
 - 201 full-time employees vs. 188 last year
 - 52 part-time employees vs. 58 last year
- 2022 and 2023 mark the most active Police hiring effort in two decades. Thirty-five (35) officers have been hired since 2017, twenty-eight (28) of those in the last three years.

- The Health Department staff has increased to meet the joint demands of our shared service towns and for several key State and Federal grants that have been awarded to the Township for public health infrastructure.

2023 Budget Highlights Shared Services

We are the lead agency on many shared services agreements with neighboring and local towns.

- Total Shared Services Revenue in 2021 = \$1,096,440
- Total Shared Services Revenue in 2022 = \$1,502,400
- Projected Shared Services Revenue in 2023 = \$1,650,000

2022 Budget Highlights - Operational Costs vs. Statutory & Fixed Costs

The Freehold Township Budget is primarily made up of two generalized types of costs:

1. Operational Costs like salaries & wages, departmental operating expenses and certain contractual expenses. These costs tend to be variable in nature and allow management and the Township Committee a level of flexibility to adjust based on economic conditions and operational needs.

In the 2023 budget these costs increased by \$862,771 or 2.4%

2. Fixed costs include statutorily mandated expenditures (i.e. pension benefits, etc.) debt service and infrastructure investments and are less likely to be influenced on a year-to-year basis by management and operational actions.

In the 2023 budget these costs increased by \$1,249,277 or 11.5%

2023 Budget Highlights- Major Drivers of Costs and Revenues

- Insurance costs rose for both group medical, workers compensation and property & casualty lines. Consistent with the P&C marketplace, liability insurance rose significantly.
- We are continuing an aggressive investment in Police Vehicles this year in response to the increased staff in the PD and the increased need to commit to purchase and obtain vehicles early due to competitive supply and lead times.
- Inflation will continue to be a driving factor of costs in the 2023 budget as it was last year, but remains unpredictable as to what individual effects it has on various line items.
- Debt service costs have increased in 2023. Rising interest rates have affected the short-term note expenses, and the recent sale of our long-term debt was at interest levels that we haven't seen in some time.
- In addition to rising interest rates, a combination of several major projects in our long-term infrastructure plan were funded and completed. This added to our principal payments due to our aggressive paydown of our debt profile.

2023 Budget Highlights Open Space Budget and Taxes

- In 2022, the voters of Freehold Township overwhelmingly approved a one cent increase to the Open Space Trust Fund Dedicated Tax.
- This additional penny will further strengthen the Townships ability to identify and purchase parcels that can be preserved to protect large tracts of land, and other parcels that may be critical to the environmental well-being of the Township.
- The newly added Open Space Funding will be approximately \$850,000 per year.
- As a prime example of the use of these funds, Freehold Township purchased 175 acres of pristine farmland, bordered by the South Branches of the Metedeconk River, known as the "Baldachino Property." The parcel will continue to operate as a sod farm, leased to the existing operator (who was not the previous owner).

2023 Notable Revenue Changes- Difference between 2022 and 2023 budget

Surplus Anticipated	\$895,075
Municipal Relief Fund	\$438,234
Capital Fund Surplus	\$300,749
ARP Funding (year-over year)	\$162,022
Health Shared Services	\$114,000
NJ DOH Vaccine Supplemental Funding	\$100,000
National Opioid Settlement	\$53,234

American Rescue Plan Funding

Revenue and Appropriations Relating to funding- Year 2 of 3

ARP Funding- Revenue Loss Replacement **\$1,262,022**

The revenue above was used to offset the following appropriations:

Police S/W	\$372,000
Streets and Road Maintenance S/W	\$250,000
Recreation Services/ Programs-S/W	\$232,022
Police Vehicles	\$200,000
Snow Removal S/W	\$115,000
Public Health Services S/W	\$93,000

2023 Notable Added Costs- Difference between 2021 and 2022 budget appropriations

Payment of Bond Anticipation Notes	\$967,000.00
Group Insurance for Employees	\$298,278.89
Interest on Bonds	\$291,705.89
Police S/W	\$224,787.00
Interest on Notes	\$203,439.31
Recycling- Other Expenses	\$140,000.00
Street and Road Maintenance- S &W	\$130,500.00
Snow Removal – Other Expenses	\$100,000.00
Property/ General/ Environment Insurance	\$95,685.00
Cost & Reserve for Tax Appeals	\$55,000.00
Health Benefit Waiver	\$50,000.00

Notable Decreases in Expenses-

Difference between 2022 and 2023 budget appropriations

MCIA Pooled Lease- Principal	(\$210,550.00)
Fuel Oil and Gasoline	(\$110,000.00)
Recreation Services/ Program- S & W	(\$105,022.00)
Public Employees Retirement System	(\$104,577.90)
Police- Vehicle Purchase	(\$88,287.84)

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
- Three Brooks Road (Design Phase)
- JMR Water Plant Cl₂ Contact Pipe

- Well No. 14 Repair & Rehab
- GIS & Asset Management Inventory
- Water Storage Tank Cleaning
- Jackson Mill Road WTP Generator
- MJT Park Vehicular Bridge Rehab
- Point Ivy and JMR Chemical Feed
- Stormwater Outfall Rehabilitation
- Roadway Preservation Program
- Burke Road Landfill Closure
- Annual Water Valve Replacements
- Waterworks/ Sherwood Improvements
- Siloam Road & OTS Road Intersection
- MJT Park Splashpad and Pickleball
- Patten Street Interconnection Repl.
- Koenig Lane WTP Filter Rehabilitation

Debt Service and Capital Management

Freehold Township received a AAA bond rating from Moody's in 2019, which was affirmed in 2021

Our top bond rating continued to aid the Township's financial position through a record low sale of Township Bonds in 2021

The Freehold Township adopts a plan to retire debt aggressively, reducing our overall interest costs, and making for a stable debt service strategy.

Debt Service and Capital Management

Freehold Township's debt is structured to be nearly 70% retired in six years.

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

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

- Each parcel receives an attempted interior & exterior inspection once over a 5 year period.
- In 2022, Freehold Township inspected 40% of the homes in the Township, which is double the normal 20%. This was a contractual anomaly since one year was done late in the beginning. The next contract will be a straight 5-year contract at 20% each year.
- Each year, home assessments are adjusted to 100% of market value, by law. This results in a change in the overall assessed value of the Township and a resultant decrease in the tax rate.
- Annual Reassessment for 2022 showed a 9.3% total increase in the net taxable valuation of the Township.
- Annual Reassessment for 2023 showed a 14.7% total increase in the net taxable valuation of the Township.

Three - Year Home Sales Data

The housing market continues to show strength, with home prices continuing to rise through 2022 and into 2023 due to low inventory.

This pressure on home prices continues to shift more tax burden from commercial properties that struggle to maintain tenants and show decreasing value on their Annual Income and Expense Forms, to the residential properties that are aggressively increasing in value.

One exception to the tax burden shift is the industrial/ warehouse property sector, that continues to show strength and increasing value.

Township Annual Reassessment in 2022

What effect does it have?

Begin 2021 \$7,478,400.000
 Begin 2022 (est.) \$8,504,000.000

One-year increase of \$1,025,600,000 or 13.77% results in a downward rate adjustment of -3.83 cents before the 2023 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 \$307,680, the same 13.7% as our net positive change in ratables. This will be slightly reduced after tax appeals are final.

2% Levy Cap Calculation

Freehold Township’s 2023 Municipal Budget is \$1,055,413 under the State mandated 2% levy cap.

Freehold Township allowable levy under cap = \$474,479
 Adjustment for new assessed ratables = \$ 136,116
 Levy Credit for Debt Service increase = \$879,725
 Levy Credit for Health Insurance increase= \$158,193

Total Allowable New Levy = \$ 1,648,513
 Total New Levy Used = \$ 593,100

For the last seven years, the Freehold Township tax levy is \$2,859,047 under the allowable levy cap, which amounts to \$190.04 per year for an average home

Municipal Budget Annual Comparison

	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>Dollar Change</u>
Total Budget	\$ 45,398,217	\$49,032,874	+ 8.0%	+\$3,634,657
State Aid	\$ 7,436,315	\$7,874,549	+5.9%	+\$438,234
Muni Revenue	\$ 2,507,756	\$2,560,997	+2.1%	+\$ 53,241
Fund Balance	\$7,746,802	\$8,641,876	+ 11.5%	+\$895,074
Amount to Be Raised	\$23,723,972	\$24,317,072	+ 2.5%	+\$593,100
Tax Rate	31.7 ¢	28.6¢	-9.7%	- 3.1¢

Impact on Average Homeowners Annual Taxes for Municipal Purposes

<u>Assessments</u>	<u>2022</u>	<u>Annual</u>	<u>Monthly</u>	<u>2023</u>
<u>2022</u>	<u>2023</u>	<u>Tax</u>	<u>Change</u>	<u>Total</u>

212,000	242,316	\$672	\$21	\$1.75	\$693
377,000	430,911	\$1,195	\$37	\$3.11	\$1,232
494,418*	565,153*	\$1,567	\$49	\$4.09	\$1,616
661,500	756,095	\$2,096	\$65	\$5.46	\$2,162
823,000	940,689	\$2,608	\$81	\$6.79	\$2,690

*These amounts represent the 2022 & 2023 average assessment on homes which rose by 14.3% year over year

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.
- Water/Sewer Revenues were up 3% over the prior year, while expenses increased 5.7% due to the long-term economic impact from the pandemic, supply chain issues and inflation.
- Fund Balance increased from \$9.92M to \$10.15M as a result of 2022 operations.
- In 2022 Freehold Township received a \$1.06M Grant from FEMA to replace and upgrade the generator at the Jackson Mills Water Treatment Plant, which will begin construction in 2023.
- The effect of forced affordable housing zoning changes, and their resultant buildout, will require continued upgrades to our system to maintain capacity and production rates.
- Freehold Township Water and Sewer rates remain among the lowest in the State, and the lowest in Monmouth County.

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

There being no further business, Mayor Walker asked for any comments or questions from the public.

Jim Franklin, 119 Lancaster, asked when the budget would be posted on the website.

Mr. Valesi answered after the introduction of budget on 3/28/2023, the budget will be posted on the website and he offered to provide him a spreadsheet in order to make it simpler to review.

There being no further comments from the public Mayor Walker asked for any comments from the dais.

The Township Committee thanked Mr. Valesi for a job well done on the budget. Mayor Walker thanked Mr. Valesi for his hard work to purchase the “Baldachino property”.

Meeting adjourned at 10:08 am

Sanabel Abouzeina- Township Clerk