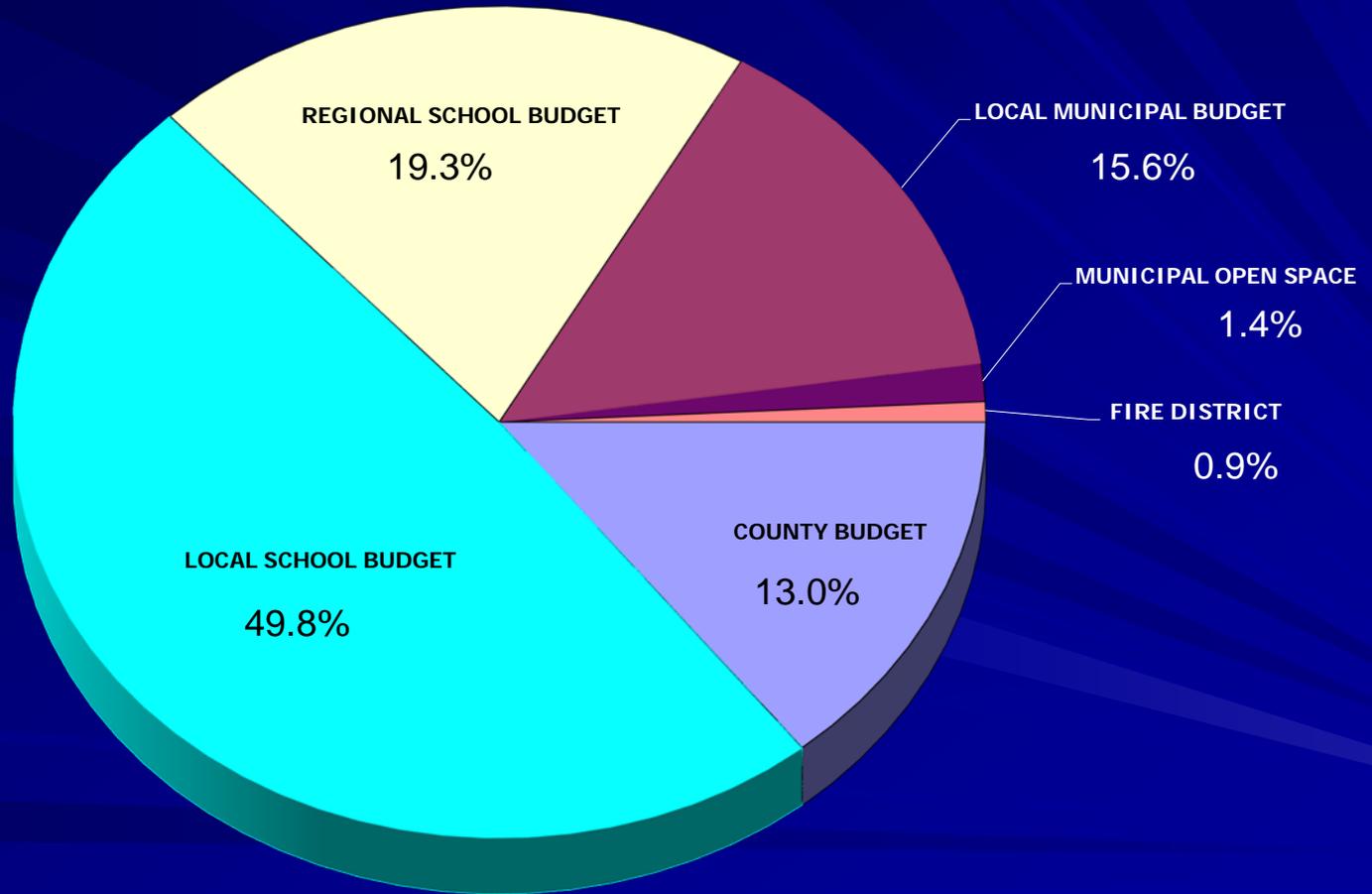


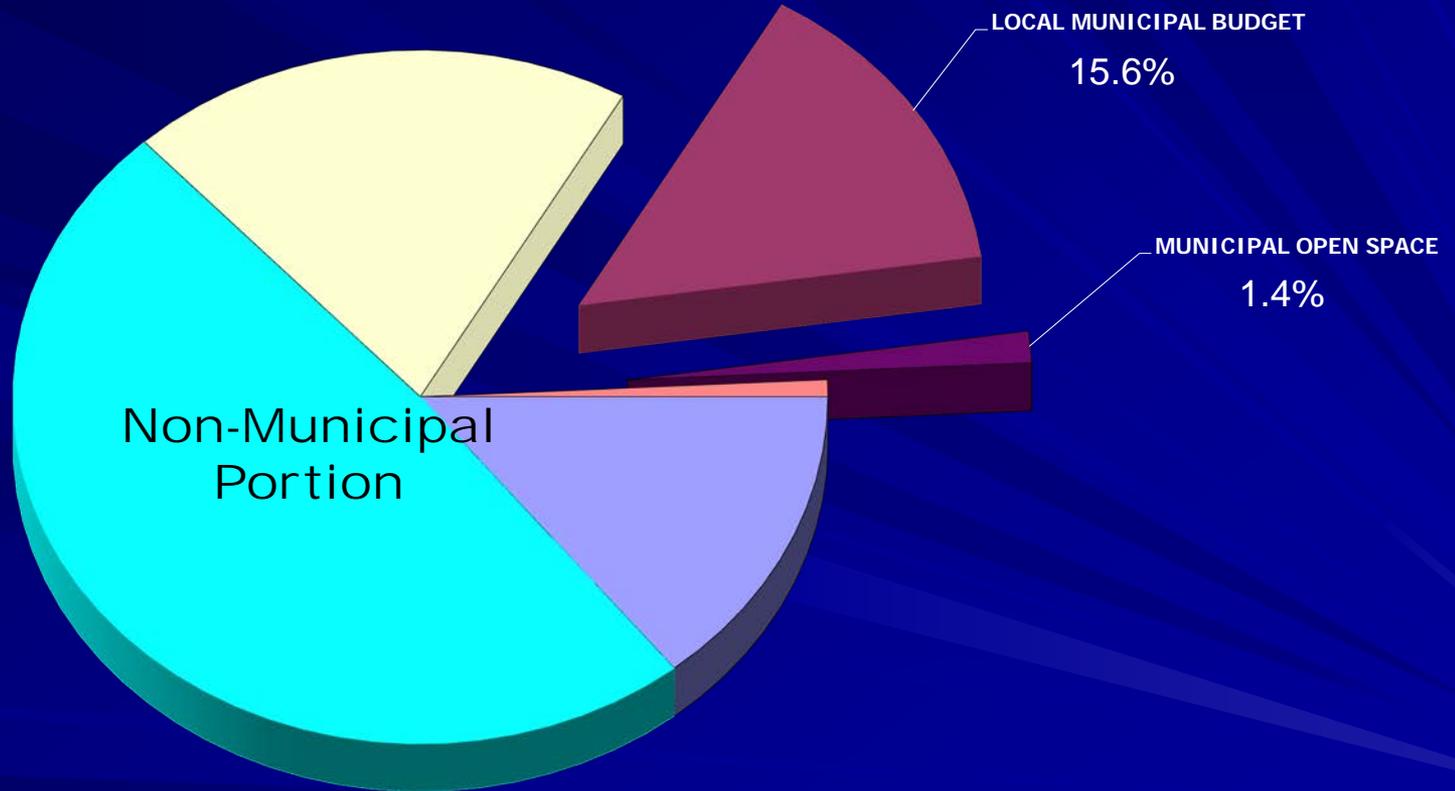


2021 Municipal Budget

Where Freehold Township Tax Dollars Go....



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



What do I get for my 17 percent?

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
- Affordable Housing

Results of 2020 Operations

- 2020 Operations were better than might have been expected during the COVID-19 Pandemic
- Overall results were a 2.4% decrease in the Township's fund balance (approximately \$285,000 decrease).
- Municipal revenue fell short of targets, mostly due to the pandemic, but was not as bad as it could have been.
- Layoffs that took place mid-year in 2020 helped reduce spending. In addition, a contraction in operations resulted in less operational spending.
- The Township expects \$3.4M from the Federal ARP Stimulus Package, but guidance on its use and timing remains to be entirely explained.
- Even during the COVID-19 shutdown, our collection rate remained high, which has stabilized our reserve for uncollected taxes at just over \$2M.

2020 COVID-19 Revenue Challenges

- Court fines were lower by 34%
- Construction permit fees were lower by 11%
- Hotel/Motel Fees were lower by 44%
- Interest on Investments was lower by 12%, but will be much worse this year because of lower interest rates.
- Fire Bureau fees were down by 24%
- Fees collected for Police Special Duty assignments were lower by 54%
- Tax delinquencies were not significant, and our collection rate rose during the pandemic. This may have been fueled by the active real estate market and a significant refinance market due to the lower interest rates.
- Municipal Alliance funding for the DEDR Grant was reduced.

2021 Budget Structure

- Many expense categories are in transition in the 2021 budget due to the 2020 layoffs of 5 positions, a restructuring of the Planning, Engineering, and Zoning responsibilities, key retirements in the Police Department, and the upcoming retirement of our CFO and associated staff changes.
- 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 2021, debt service increased by approximately 5.5%, which can be attributed to a significant paydown of notes over the required minimum payment. (would be -3.9% without the note payment)
- The budget allows us flexibility to decide at a later date in 2021 the strategy for a long-term debt offering or a continuation of short term debt retirement. Interest rates are very low, and the yield curve has steepened.
- 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.

2021 Budget Highlights

Health Insurance

- Self Insurance for Group Healthcare continues to show savings and has provided over \$4.50M in reserve to stabilize this line item. The reserve accounts for 68% of the annual healthcare budget.
- In 2020, the total budget for healthcare increased by only 0.13%, which is well below the market rate for group health insurance premiums. Participants contribute approximately \$1,200,000 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 \$1,350,000 of the \$4,500,000 trust balance to offset estimated 2021 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 = \$670,000;
 - 2020 Savings = \$800,000; (estimated)

= \$4.50M in Healthcare Trust Fund

2021 Budget Highlights

Personnel

- Employee turnover has been high with several key retirements, resignations and departmental reorganizations. This creates some budgetary fluctuations in various departments as we implement our individual succession plans.
- Freehold Township employees as compared to last year:
 - 186 full-time employees vs. 192 last year
 - 71 part-time employees vs. 78 last year
- We are the lead agency on many shared services agreements with neighboring and local towns.
 - Total Shared Services Revenue in 2020 = \$947,200
 - Approximately 40 F/T employees provide services

2021 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 2021 budget these cost decreased by \$183,000 or -0.63%

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 2021 budget these cost increased by \$612,000 or 5.86%

2021 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 only an \$11,500 balance, because of significant 2020 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 (\$416,000 in 2020.)
- The Township analyzes and readjusts the accumulation of leave each year and revises the Sick Leave Trust and/or Accounts Payable.
- The 2021 budget includes a \$75,000 line item for Accumulated Sick Leave, up from \$35,000 last year, to account for upcoming retirements and replenish the Trust.

2021 Budget Highlights

Major Drivers of Costs and Revenues

- Pension costs for PERS and PFRS have risen significantly, adding over \$350,000 in additional costs to the current fund budget (an approximate 12.2% increase.)
- While COVID-19 had a significant effect on the 2020 operations, the long-term impacts will be seen through 2021 and 2022 operations.
- The Township's affordable housing settlements have resulted in significant legal fees and costs associated with property acquisition to purchase land for affordable housing. Forced zoning changes in several areas will require near-term infrastructure improvements to accommodate the development of those sites.
- The drop in interest rates has resulted in the end of the Township aggressive investment strategy in Treasury Bonds, and has relegated us to bank interest rates until the extremely low interest rate environment subsides. Anticipated revenue shortfall = \$450,000
- Restructuring of Engineering, Construction, Fire, Housing and Zoning have led to increases and decreases in various departments. These were started with the 2020 layoffs, and progressed through 2020 with a redistribution of duties in these departments.

2021 Notable Revenue Changes

Difference between 2020 and 2021 budget revenues

Fines & Costs - Municipal Court	\$150,000.00
Fees & Permits - Construction	\$100,000.00
Regional Information Technology Services	\$57,000.00
Capital Fund Surplus	(\$139,005.00)
Interest on Investments & Deposits**	(\$100,000.00)
Fuel - Shared Service Revenue	(\$100,000.00)
Safe and Secure Communities Program	(\$27,600.00)

****This line item will see more of a decrease year-over-year**

2021 Notable Added Costs

Difference between 2020 and 2021 budget appropriations

Payment of Bond Anticipation Notes	\$497,400.00
Police & Firemen's Retirement System	\$249,049.00
Public Employees Retirement System	\$107,651.00
Public Health Services (Board of Health) - S & W	\$73,806.00
Engineering - S & W	\$57,900.00
Regional Information Technology Services	\$55,500.00
Costs & Reserve for Tax Appeals	\$50,000.00
Payments to Accumulated Sick Leave Trust	\$40,000.00
Financial Administration - S & W	\$39,000.00
Streets and Road Maintenance - S & W	\$33,000.00
Affordable Housing - Legal Expenses	\$30,000.00

Notable Decreases in Expenses

Difference between 2020 and 2021 budget appropriations

Police - S & W	(\$210,000.00)
MCIA Pooled Lease - Principal	(\$186,710.00)
Police - Vehicle Purchase	(\$95,000.00)
Tax Assessment Administration - Other Expenses	(\$67,570.00)
Interest on Bonds	(\$65,080.00)
Diesel Fuel	(\$50,000.00)
Reserve for Uncollected Taxes	(\$48,000.00)
MCIA Pooled Lease - Interest	(\$41,837.00)

2021 Projects & Planning

- Pavement Preservation Program – A new project designed to increase the lifespan of roadways by identifying areas of failure and repairing them permanently. This will save capital funds by repairing roads without milling up good pavement to address multiple areas of concern.
- Phone System Conversion – The Township’s current phone system has reached end-of-life and cannot be supported in an affordable manner. The Township will adopt a hosted phone solution that provides us with the latest technology and scalability.
- Health Department Expansion – The addition of a full-time Epidemiologist is being entirely paid for by a Grant from the NJDOH for two years, which adds value for our own residents and our shared services offerings.
- Opatut “My Playground” Project – Similar to the award winning project at MJT Park, the project will bring recreational needs to children of all abilities in another location within our Town.

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)
- Rehabilitation of Wells 14 and 15
- Rehabilitation of Well No. 3
- Utility Control System Upgrades
- Critical Facility Generator Projects
- GIS & Asset Management Inventory
- Elton Corner P.S. Rehabilitation
- Gully Road P.S. Pump Rebuild
- Water Storage Tank Cleaning
- Dancer Farms Pump Station Demo
- Internal Inspection of all force mains
- Sanitary Sewer Relining Project
- Iron Bridge Road Improvements II
- Stonehurst Boulevard Improvements II
- Roadway Preservation Program
- Silvers Road Right-of-Way Acquisition
- 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

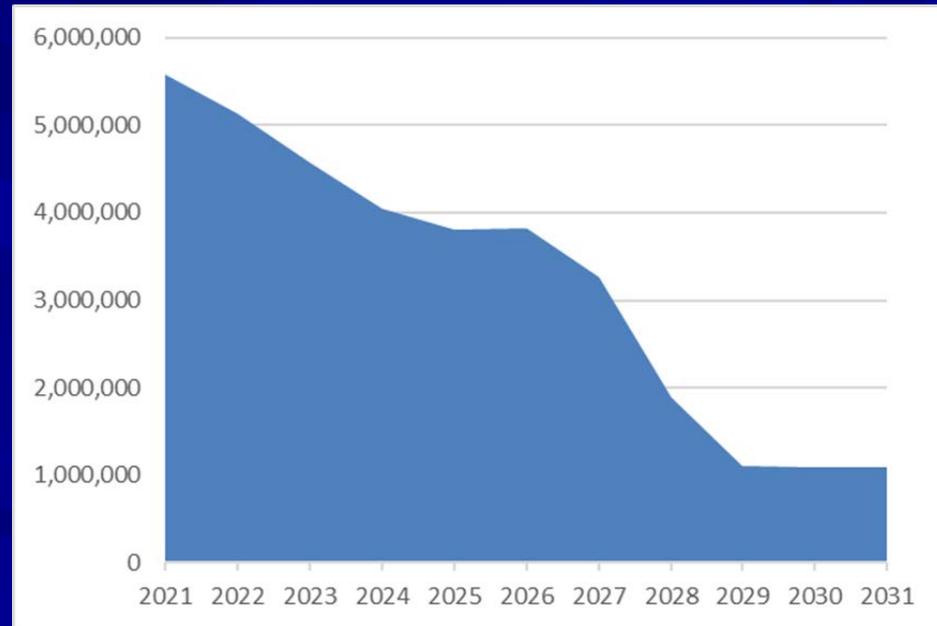
As shown below, Freehold Township routinely retires debt inside a period of ten years.

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

FY Ending 31-Dec	Principal Due*	Debt Service*	Principal Paid Off	Percentage Paid Off
2021	4,755,000	5,582,656	4,755,000	14.91%
2022	4,445,000	5,127,181	9,200,000	28.84%
2023	4,020,000	4,578,756	13,220,000	41.45%
2024	3,595,000	4,042,981	16,815,000	52.72%
2025	3,440,000	3,807,756	20,255,000	63.51%
2026	3,535,000	3,817,519	23,790,000	74.59%
2027	3,085,000	3,266,081	26,875,000	84.26%
2028	1,800,000	1,892,013	28,675,000	89.90%
2029	1,070,000	1,102,200	29,745,000	93.26%
2030	1,075,000	1,096,500	30,820,000	96.63%
2031	1,075,000	1,085,750	31,895,000	100.00%
Total	\$31,895,000	\$35,399,394		

* 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 third year of our five-year cycle of home assessment inspections.
- In 2021 and 2022, the Township will inspect 20% of our homes in each year as part of the five-year cycle that started in 2018.
- Annual Reassessment in 2020 showed a 3.6% total increase in the net taxable valuation of the Township.
- The market data showed a 6% to 7% home price increase in New Jersey in 2020. This was evident in some of the assessment adjustments throughout the Township.

Township Annual Reassessment in 2020

What effect does it have?

Begin 2020 **\$6,724,200,000**

Begin 2021 (est.) **\$6,873,146,300**

One-year increase of \$148,946,300 or 2.21%

results in a downward rate adjustment of -0.49 cents before the 2021 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 \$44,683, the same 2.21% as our net positive change in ratables. This will be slightly reduced after tax appeals are final.

Commercial Ratable Reduction & Appeals

COVID-19 Pandemic

In an effort to be proactive in protecting a major source of revenue, Freehold Township engaged a number of tax appeal plaintiffs in advance of the appeal valuation deadline to intelligently settle appeals for the benefit of the Township.

- The tax appeal landscape has been challenging in the backdrop of the COVID-19 shutdowns, and a property-owner friendly tax court that has been increasingly difficult to manage.
- The Court has also re-implemented Chapter 123, through a decision by the Monmouth County Tax Judge, which applies a ratio to increase the damage to taxpayers from tax appeals.
- Pre-empting judgements and tax appeal litigation will save hundreds of thousands of dollars in legal fees and multi-year tax refunds that cause major financial disruption to municipalities.
- Commercial owners, regardless of their marketplace, have been hit by a reduction in tenants, business revenue, a lack of retail customers, and a reduction in office space needs from remotely working employees.

2% Levy Cap Calculation

Freehold Township's 2020 Municipal Budget is \$819,288 under the State mandated 2% levy cap.

Freehold Township allowable levy under cap = \$451,152
Adjustment for new assessed ratables = \$ 156,265
Levy credit for PERS/PFRS Pension increase = \$298,290
Levy Credit for Debt Service increase = \$388,952

Total Allowable New Levy = \$ 1,294,659
Total New Levy Used = \$ 475,364

**For the last five years, the Freehold Township tax levy is
\$1,803,635
Under the allowable levy cap.**

Municipal Budget Annual Comparison

	<u>2020</u>	<u>2021</u>	<u>Change</u>	<u>Dollar Change</u>
Total Budget	\$ 42,657,280	\$43,031,303	+ 0.9%	+\$374,023
State Aid	\$ 7,436,315	\$7,436,315	0.0%	(\$0)
Muni Revenue	\$ 2,396,269	\$2,521,301	+ 5.2%	+\$125,032
Fund Balance	\$ 7,539,498	\$7,552,950	+ 0.2%	+\$ 13,452
Amount to Be Raised	\$ 22,557,619	\$23,032,983	+ 2.1%	+\$475,364
Tax Rate	33.6 ¢	33.5 ¢	-0.3%	- 0.1 ¢

Impact on Average Homeowners

Annual Taxes for Municipal Purposes

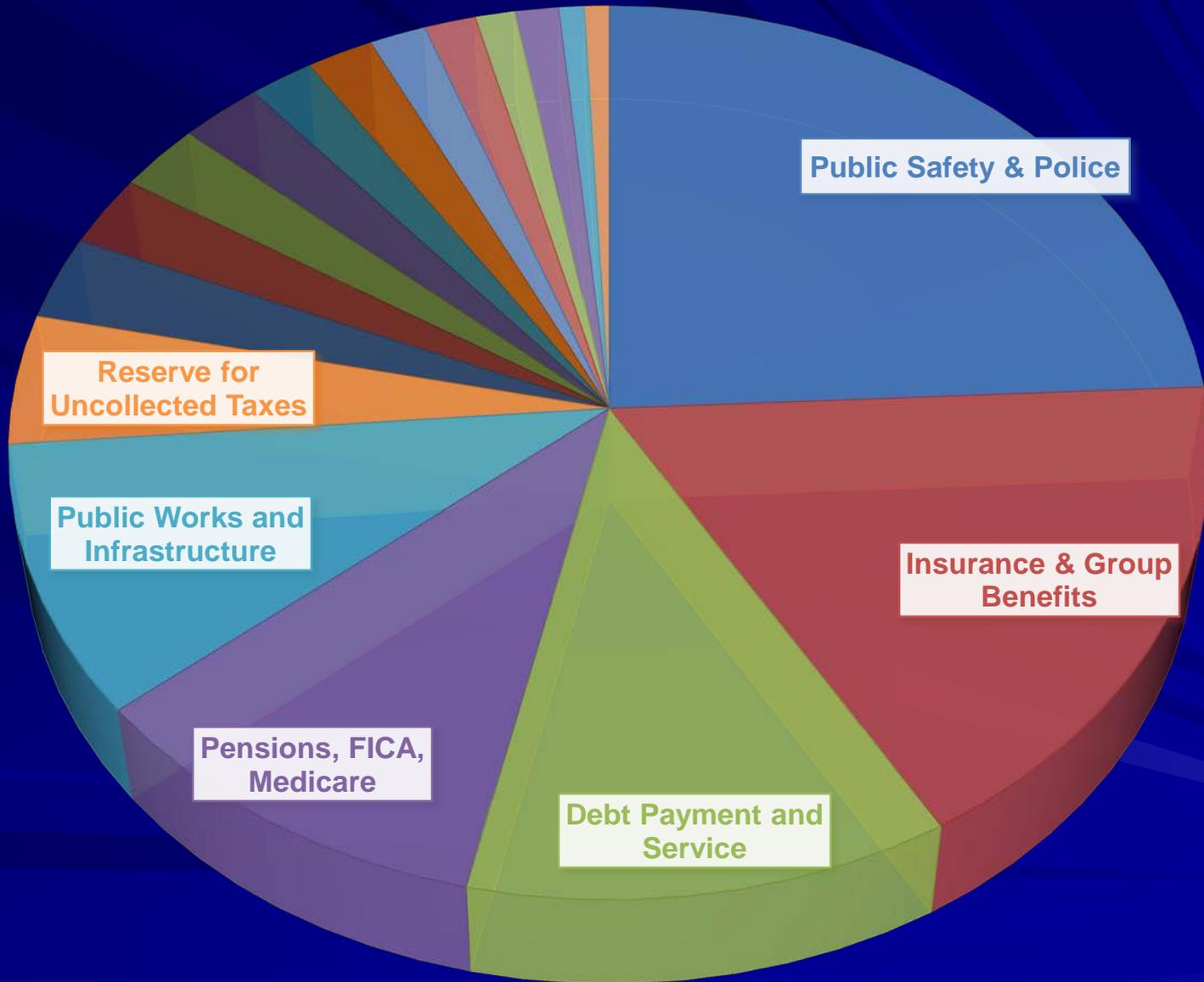
<u>Assessments</u>		<u>2020</u>	<u>Annual</u>	<u>Monthly</u>	<u>2021</u>
<u>2020</u>	<u>2021</u>	<u>Tax</u>	<u>Change</u>	<u>Change</u>	<u>Total</u>
187,000	194,500	\$628	\$24	\$2.00	\$652
332,500	346,000	\$1,117	\$43	\$3.58	\$1,160
426,464*	444,219	\$1,432	\$57	\$4.75	\$1,489
575,000	607,000	\$1,965	\$70	\$5.83	\$2,035
726,000	755,000	\$2,439	\$93	\$7.75	\$2,532

***This amount represents the 2020 average assessed home
New average assessed home in 2021 is \$444,219**

Municipal Expense Breakdown by Category

	<u>2021</u>	
Public Safety & Police	\$ 10,421,315.00	24.3%
Insurance & Group Benefits	\$ 7,452,561.00	17.3%
Debt Payment and Service	\$ 5,138,099.00	12.0%
Pensions, FICA, Medicare	\$ 4,519,215.00	10.5%
Public Works and Infrastructure	\$ 4,194,350.00	9.8%
Reserve for Uncollected Taxes	\$ 2,013,566.65	4.7%
Government & Policy	\$ 1,301,751.00	3.0%
Utilities	\$ 1,118,000.00	2.6%
Aid to Schools and Condos	\$ 1,071,185.00	2.5%
Financial and Revenue Admin	\$ 1,043,075.00	2.4%
Shared Services	\$ 882,196.00	2.1%
Engineering, Planning & Zoning	\$ 855,750.00	2.0%
Parks & Recreation	\$ 719,200.00	1.7%
Construction & Code	\$ 657,250.00	1.5%
Municipal Court	\$ 499,400.00	1.2%
Public Health	\$ 562,700.00	1.3%
Information Technology	\$ 321,000.00	0.7%
Grants - incl. Local Share	\$ 190,358.49	0.4%
Total Budget		100.0%

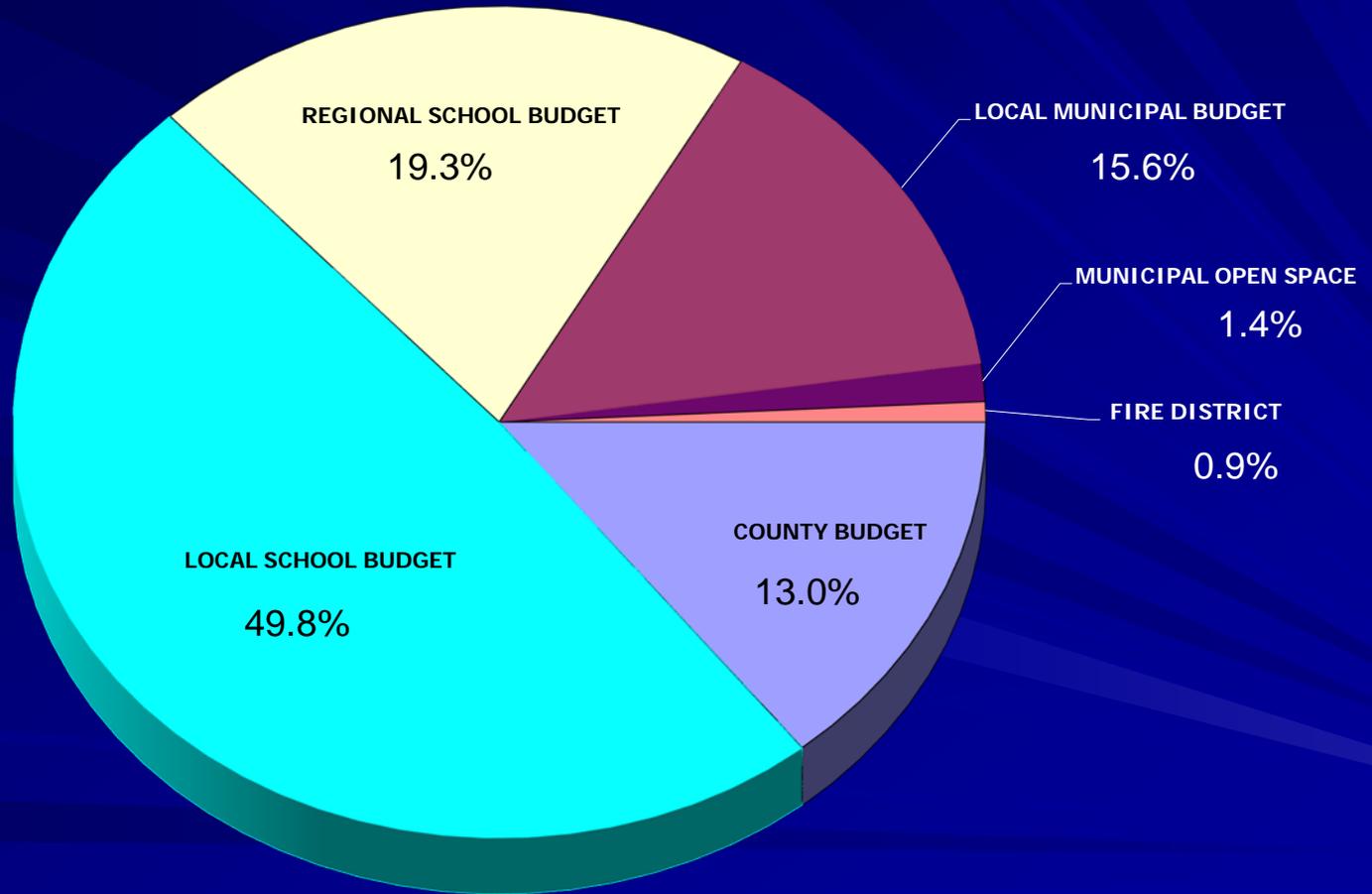
Breakdown of Municipal Appropriations by Category



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 2020 negatively affected expense numbers on the sewer side, but water usage was normal and those revenues recovered slightly from the previous year.
- Overall utility budget appropriations are down by -1.3% for 2021.
- Fund Balance increased from \$8.24M to \$8.51M in 2020. This fund balance, while healthy, is earmarked for the eventual new water plant which will be needed within the next five years to utilize the Township's diversion rights outside of the "critical area" of aquifers.
- The Gravel Hill Road Water Tank Project has been awaiting steel price stabilization. Bids came in much higher than expected. This remains a target project for 2021.
- Forced affordable housing zoning changes will require 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.

Where Freehold Township Tax Dollars Go....





2021 Municipal Budget