

Freehold Borough School District

Tax Impact Analysis of
Proposed School Referendum

February 24, 2014



PHOENIX
ADVISORS, LLC



Definitions

- ❑ Assessed Valuation (Ratables) – Total “assessed” value of all property in the Borough for property tax purpose and not necessarily the “market” value (the value at which a home could be sold). The assessed value of a particular property might stay the same each year, only changing when a revaluation is completed.
- ❑ Assessed Valuation (Ratable) Growth – The rate at which the total assessed value is anticipated to increase in the future. If there are areas of new or re-development in the town, an assumption of increased ratables would be reasonable. Unless substantial development is anticipated, conservative assumptions would leave ratable growth unchanged.



Definitions (continued)

- ❑ Average Home Value – Obtained from the tax assessor and represents the “average” assessed valuation of all residential properties in the Borough. The average home value is not necessarily the market value, it can be higher or lower than the market value.
- ❑ State Aid – After a long pause, in 2013, the State of NJ once again began awarding “Debt Service Aid” to school districts with approved school construction referendums. The amount of aid is determined based on the type of projects and other factors such as the school districts’ demography. Debt Service Aid is paid annually to school districts to offset a percentage of the debt service of bonds issued for school construction projects, subject to annual appropriation in the State Budget.



Definitions (continued)

- Par Amount – The total amount of bonds to be issued to finance a project. The bonds are repaid through annual installments of principal and semiannual interest payments. Bonds issued by a school district are tax-exempt to buyers.



Assumptions

- ❑ 2014 Total Borough Assessed Valuation: \$1,052,933,800*
- ❑ Assessed Valuation Growth: None
- ❑ 2014 Assessed Valuation of Average Home: \$255,600*
- ❑ State Aid For Debt Service Estimate: 50% to 56%
- ❑ Bonds Term: 30 Years
- ❑ Bond Structure: Wrap-Around Existing Debt Service
- ❑ Bond Borrowing Rate: 4.65%

* Source: Borough Tax Assessor



Project Options

- As previously presented to the Board, the following options have been analyzed:
 - \$17,861,000
 - **\$21,745,000**
 - \$33,080,000
 - \$43,890,000

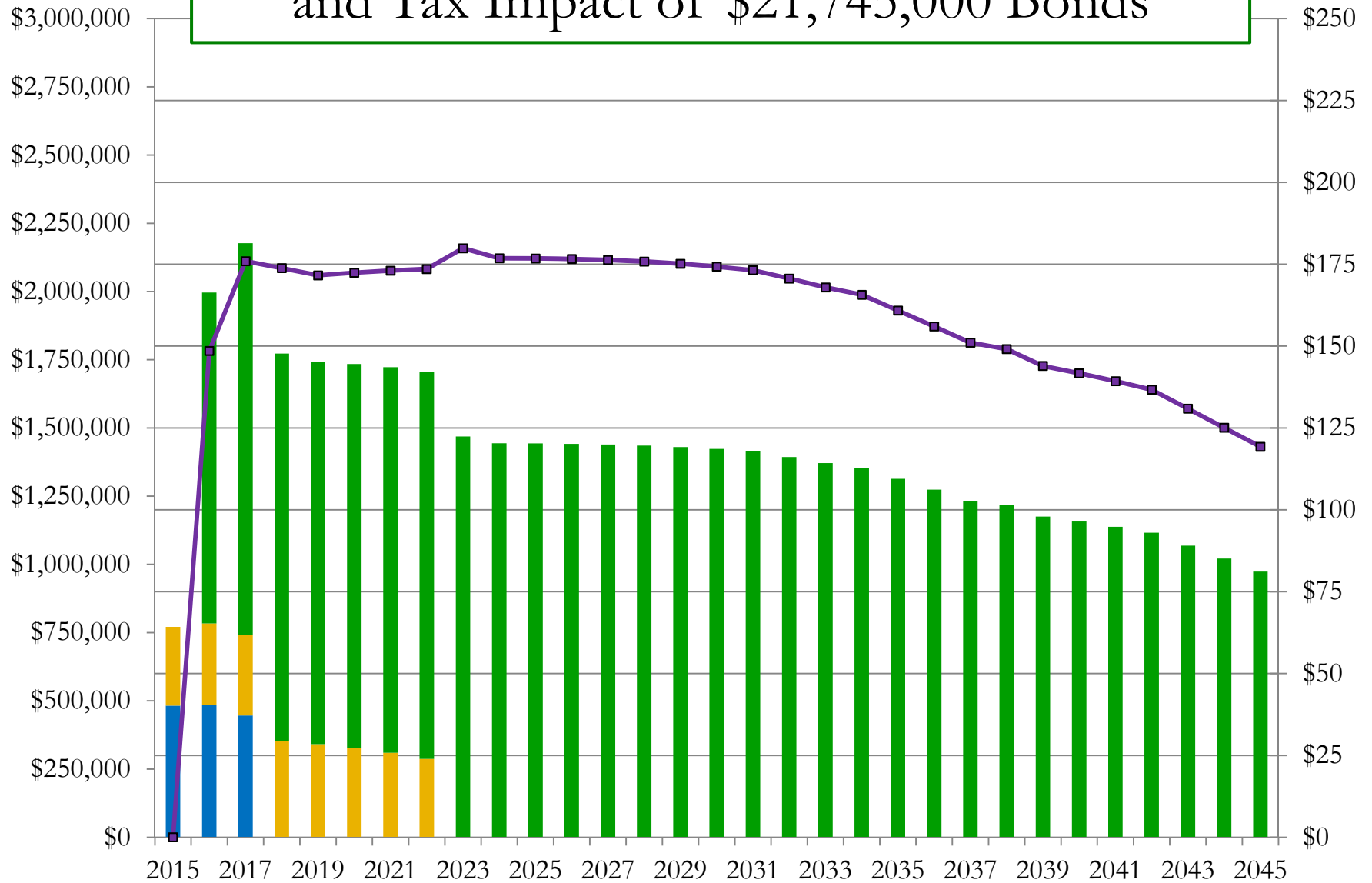
Tax Impact Analysis: \$21,745,000 Project



Average Annual Tax Impact

For Every \$100,000 of Assessed Value:	\$63
For Home Assessed at \$255,600 Borough Average:	\$161

Projected Debt Service (Net of State Aid) and Tax Impact of \$21,745,000 Bonds



■ Series 1996
 ■ Series 2011
 ■ New Net Debt Service
 —■— Tax Impact on Avg Home - New Bonds



Tax Impact Comparison Summary

Project Size	<u>Average Annual Tax Impact</u>	
	For Every \$100,000 of A.V.	On Average Home
\$17,861,000	\$51	\$131
\$21,745,000	\$63	\$161
\$33,080,000	\$90	\$230
\$43,890,000	\$111	\$284