

Comments: This presentation deals with the 2011 budget but more importantly highlights certain conditions that are affecting the Borough's future financial stability. The continued depressed economy and the pending Fort closure could pose serious financial problems in the future. Hopefully this presentation will give you some insight as to how we have been affected by the economy and the Fort closure and how that could affect us in future years.

2011 Budget Presentation

Borough of Tinton Falls

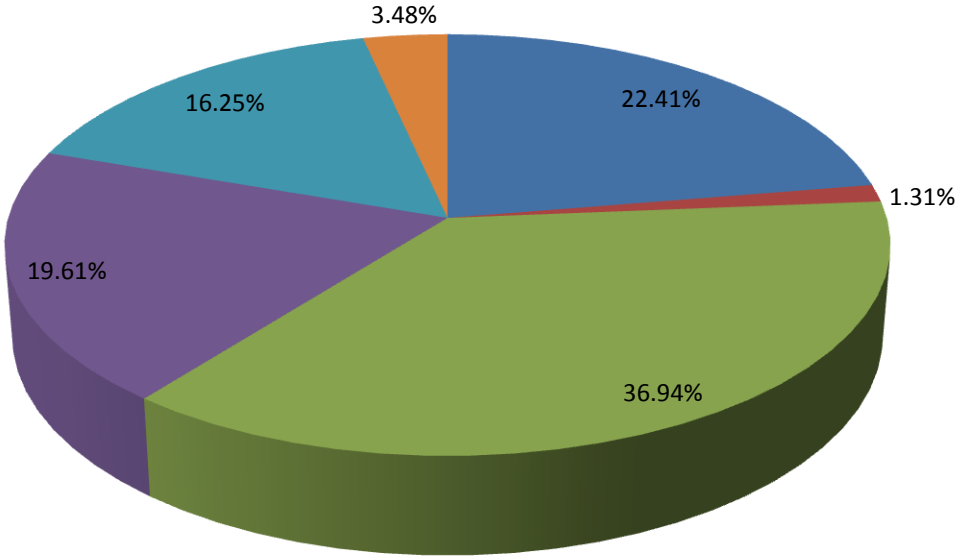
2010 Tax Rates - Fire District #1

| | |
|----------------------------|-------|
| MUNICIPAL | 0.393 |
| MUNICIPAL OPEN SPACE | 0.023 |
| REGIONAL ELEMENTARY SCHOOL | 0.648 |
| REGIONAL HIGH SCHOOL | 0.344 |
| COUNTY | 0.285 |
| FIRE DISTRICT | 0.061 |

Comments: Fire District #1 South of Tinton Avenue including CECOM property and parts of Tinton Greens

Fire District #2 North of Tinton Avenue

Our CFO used the 2010 tax amounts as we did not have all of the 2011 tax amounts. 2011 should not be materially different from 2010.



- MUNICIPAL
- MUNICIPAL OPEN SPACE
- REGIONAL ELEMENTARY SCHOOL
- REGIONAL HIGH SCHOOL
- COUNTY
- FIRE DISTRICT

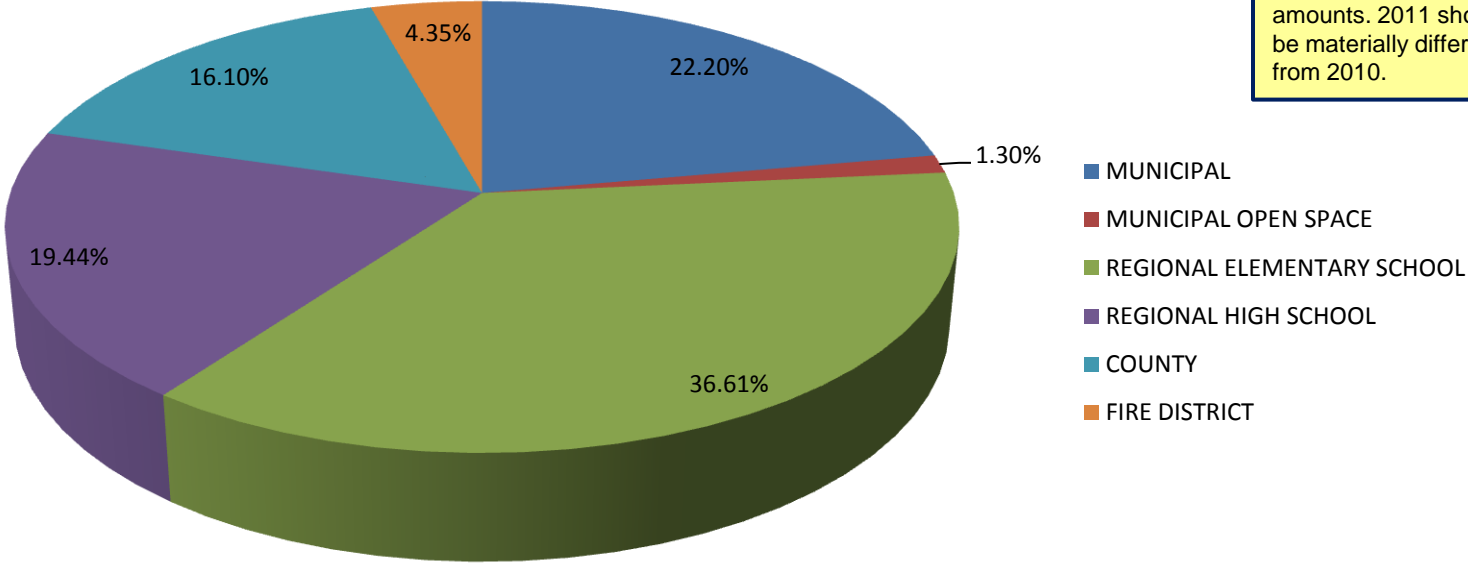
2010 Tax Rates - Fire District #2

| | |
|----------------------------|-------|
| MUNICIPAL | 0.393 |
| MUNICIPAL OPEN SPACE | 0.023 |
| REGIONAL ELEMENTARY SCHOOL | 0.648 |
| REGIONAL HIGH SCHOOL | 0.344 |
| COUNTY | 0.285 |
| FIRE DISTRICT | 0.077 |

Comments: Fire District #1 South of Tinton Avenue including CECOM property and parts of Tinton Greens

Fire District #2 North of Tinton Avenue

Our CFO used the 2010 tax amounts as we did not have all of the 2011 tax amounts. 2011 should not be materially different from 2010.



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Mayor's Budget Actions

Comments: This sheet reflects some of the highlights from the renegotiations of the union contracts. Some of these provisions were carried over to non union employees, examples being:
-2.5% of base salary contributed towards health benefits
-1.5% of pension upon retirement as an offset to health benefits
-\$-0- wage increase excluding certain contractual provisions

Renegotiated Contracts with all bargaining units resulting in:

Zero wage increase for 2011 for all employees

Increase the health benefit contributions from 1% of base salary to 2.5% of base salary

Sick Leave Payout capped at \$15,000 at retirement for PBA

Sick Leave Payout capped for all existing members at current levels at retirement - SOA

Sick Leave Payout capped at \$15,000 at retirement for all new members - SOA

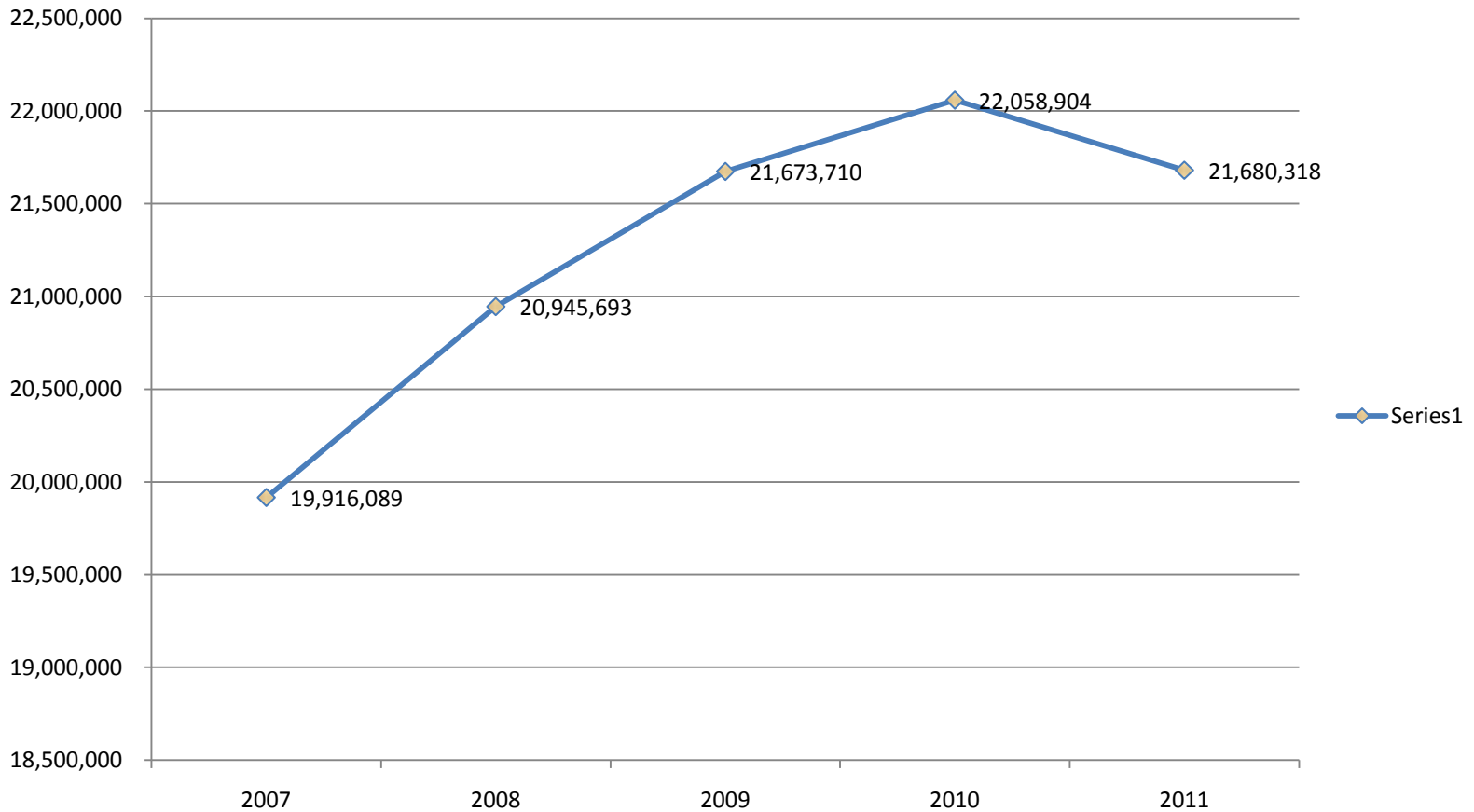
Elimination of all education benefits for SOA

Health benefit contribution of 1.5% of pension at retirement for all future retirees

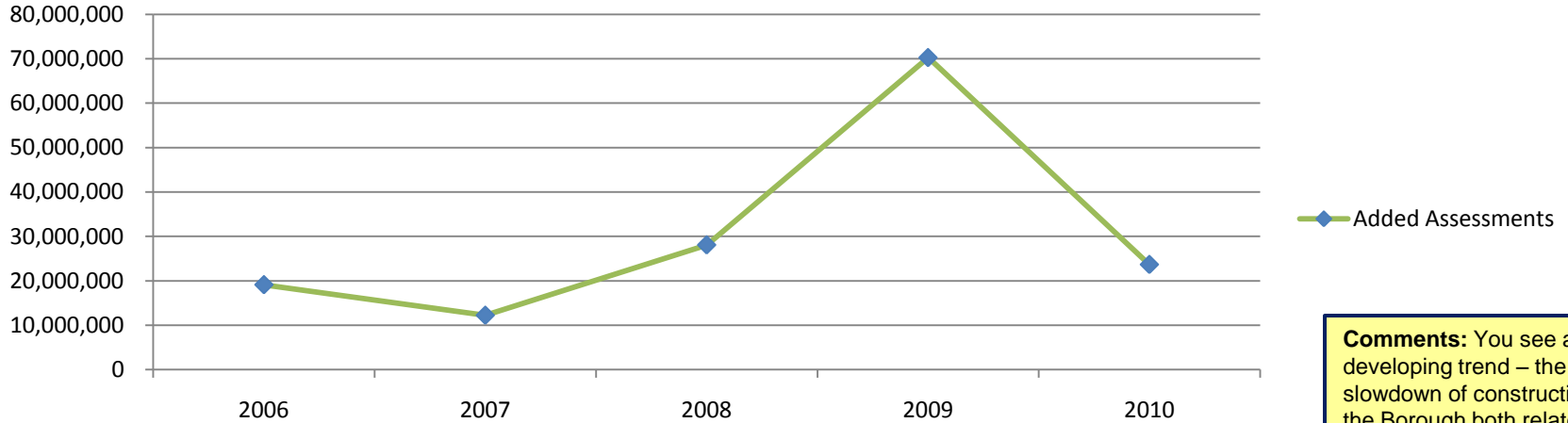
Comments: Overall budget comparison: Hopefully the downward trend will continue in the future.

Overall Budget Comparison

Adopted Budget
(2011 - Introduced budget)

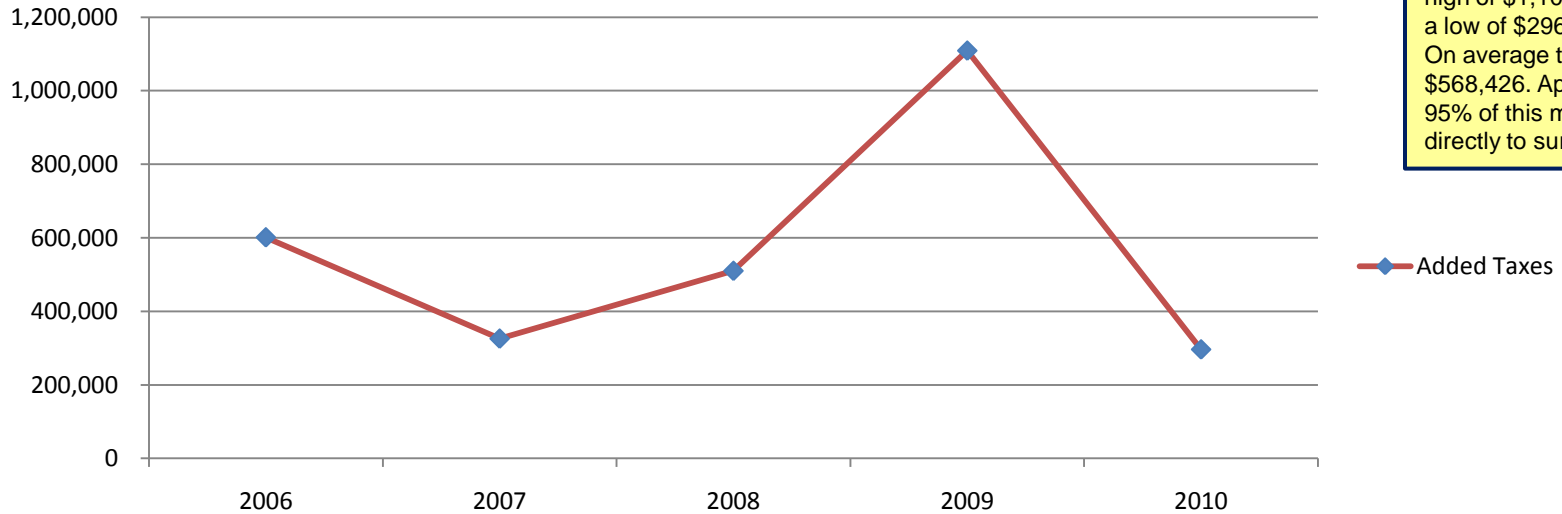


Added Assessments



Comments: You see a developing trend – the slowdown of construction in the Borough both related to the economy and the Fort closure. This will have a negative impact on the regeneration of the surplus. Added taxes went from a high of \$1,108,738 in 2009 to a low of \$296,463 in 2010. On average the increase was \$568,426. Approximately 95% of this money drops directly to surplus.

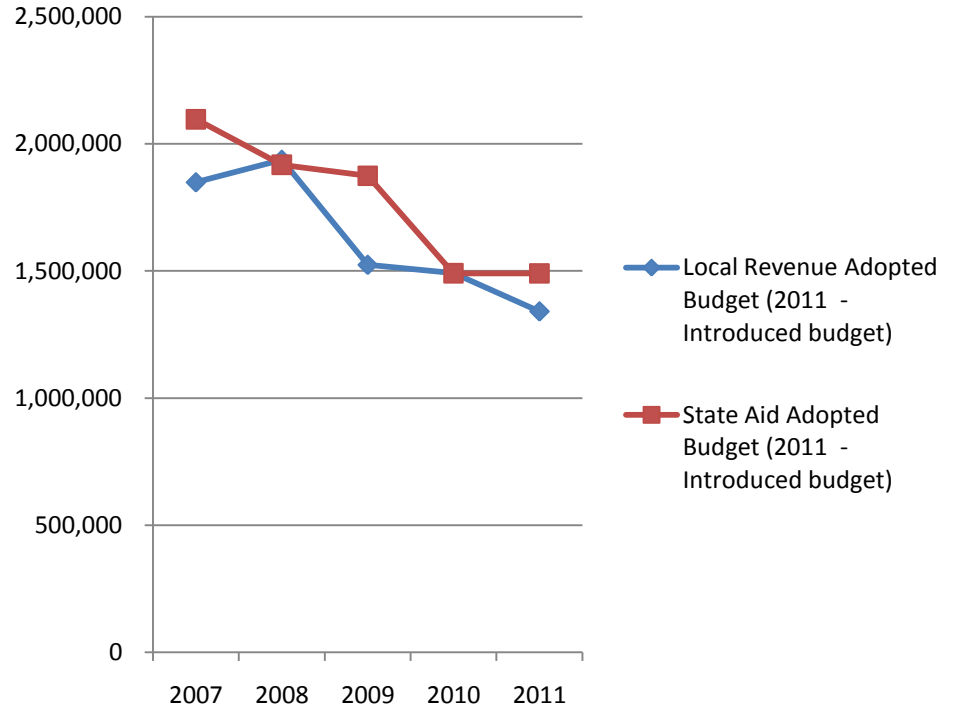
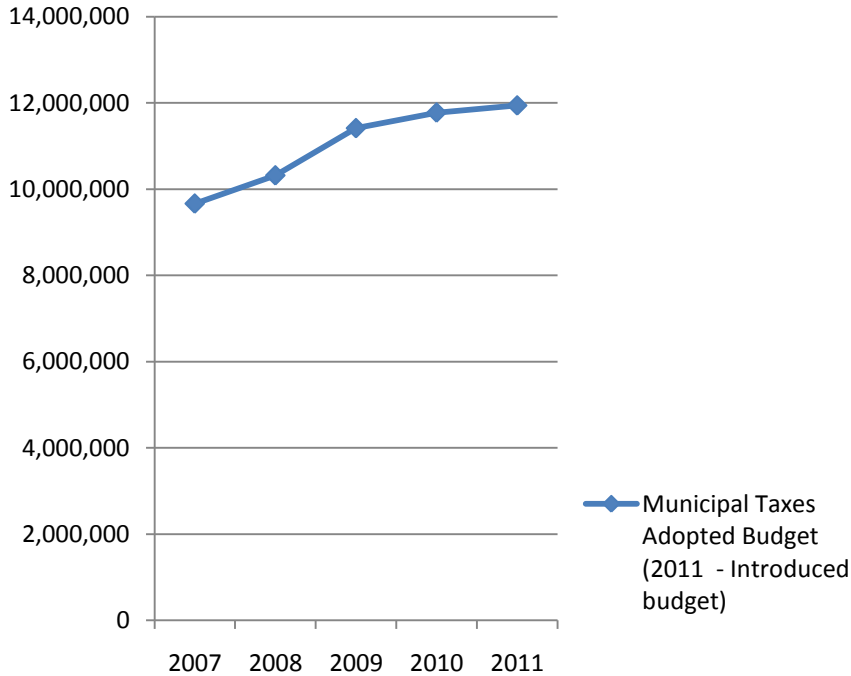
Added Taxes



Municipal Taxes

Comments: These graphs show the direct correlation of decreasing local revenues and state aid and increasing taxes. Between 2009/2010 the Borough's budgets show combined local revenue and state aid reductions of \$872,000. Not only does this put pressure on raising taxes it also reduces our ability to regenerate the surplus from local revenues. Interest on investments is a perfect example of decreasing local revenue. We realized over one million dollars in 2006 and 2007. In 2010 we realized \$143,500.

| | Municipal Taxes Adopted Budget (2011 - Introduced budget) | Local Revenue Adopted Budget (2011 - Introduced budget) | State Aid Adopted Budget (2011 - Introduced budget) |
|------|--|--|--|
| 2007 | 9,663,618 | 1,848,500 | 2,096,306 |
| 2008 | 10,317,640 | 1,937,000 | 1,917,404 |
| 2009 | 11,411,815 | 1,523,939 | 1,873,831 |
| 2010 | 11,773,263 | 1,491,000 | 1,490,677 |
| 2011 | 11,937,854 | 1,341,000 | 1,490,459 |



2011 Budget Analysis

Salaries & Wages

Comments: This sheet shows some of the personnel changes that have been effectuated in the 2011 budget. This sheet is self explanatory.

| | Projected Full Year Savings |
|---|------------------------------------|
| Four (4) police officers have retired & not been replaced | (510,325) |
| One (1) Deceased Officer | (79,437) |
| Three (3) Police Officers Replacements | 116,466 |
| One (1) Police Officer Replacement 5/1/11 | 25,882 |
| One (1) Police Officer Replacement 5/1/11 | 25,882 |
| One part time clerical worker has resigned & not been replaced. | (18,338) |
| Borough Clerk (Retired) | (99,790) |
| Borough Clerk Replacement | 55,000 |
| Borough Clerk Part Time Clerical Employee | 12,115 |
| Administrative Analyst Retired | (83,654) |
| Administrative Analyst Replaced | 52,000 |
| Finance Assistant - Purchasing | (58,287) |
| Clerk Typist - Purchasing | 34,950 |
| Public Works Foreman not replaced | (84,736) |
| Court Administrator Retired | (103,532) |
| Court Administrator Replacement | 65,000 |
| | <hr/> |
| | (650,804) |
| | <hr/> |

Fixed Costs

Comments: This slide shows some of our larger fixed costs. Pensions are up 20%. We are seeing unprecedented increases in snow removal costs and fuel. The fuel budget is up \$150,000 and that was costed out at \$3 per gallon back in January 2011. Diesel is now at \$3.40 a gallon while our latest unleaded bill was \$3.17 per gallon. You'll note that debt service dropped by \$221,600. This was due in large part to a final lease payment in 2010 and refunding of a preexisting bond issue. Our bond rating was also upgraded 2 ticks from A to Aa2 by Moody's Rating Service.

| | 2010 | 2011 |
|---|-------------|-------------|
| Health Insurance: | \$2,127,429 | \$2,252,000 |
| Pensions: | \$1,366,918 | \$1,649,980 |
| Debt Service: | \$2,406,376 | \$2,184,776 |
| Division of Streets: | | |
| Snow Removal: | | |
| Sand & Salt: | \$91,270 | \$125,190 |
| Community Services Act: | \$84,000 | \$142,000 |
| Gasoline & Diesel Fuel: | \$257,040 | \$407,295 |
| | <hr/> | <hr/> |
| | \$6,333,033 | \$6,761,241 |
| | | |
| Total Increase in fixed costs: | | \$428,208 |
| | | |
| Total Increase in fixed costs: excluding Debt Service: | | \$649,808 |

Financial Highlights

Comments: This slide shows the increase/decrease of various Borough cost centers. Each year has its own unique circumstances that affect different areas of the budget. It could be weather related, commodity related, lawsuits, new regulations or mandates, etc. When we prepare the budget all these items are considered. Overall the budget is down 1.72% for 2011.

Many changes take place during the year that affects ongoing operations. What usually happens is that we find certain budgets will be overfunded and certain budgets will be underfunded as result of these changes. Two examples of this maybe rising fuel prices and let's say the Council not proposing many changes to Borough ordinances which would reduce advertising costs in the Clerk's office. It is also anticipated that certain budgets will be short by the end of the year because of unknown events but it is also anticipated that savings from other budgets will be available to offset the shortages. It is really a series of estimates.

| Expenditures | 2010 | 2011 | Difference | % Change |
|--------------------------------------|---------------------|---------------------|--------------------|---------------|
| Legislative | \$251,516 | \$187,186 | (\$64,330) | -25.58% |
| Administration | \$917,256 | \$907,217 | (\$10,039) | -1.09% |
| Law | \$234,710 | \$234,710 | \$0 | 0.00% |
| Public Works | \$3,175,750 | \$3,322,767 | \$147,017 | 4.63% |
| Public Safety | \$5,069,067 | \$4,486,568 | (\$582,500) | -11.49% |
| Community Services Act | \$84,000 | \$142,000 | \$58,000 | 69.05% |
| Accounts, Audit & Controls | \$449,944 | \$444,167 | (\$5,777) | -1.28% |
| Health & Environmental | \$266,970 | \$280,550 | \$13,580 | 5.09% |
| Recreation & Social Service Agencies | \$628,092 | \$622,787 | (\$5,305) | -0.84% |
| Municipal Court | \$515,122 | \$469,155 | (\$45,967) | -8.92% |
| Prosecutor/Public Defender | \$67,935 | \$65,805 | (\$2,130) | -3.14% |
| Land Use & Code Standards | \$845,355 | \$852,305 | \$6,950 | 0.82% |
| Group Insurance | \$2,145,750 | \$2,252,000 | \$106,250 | 4.95% |
| Other Insurances | \$516,578 | \$524,093 | \$7,515 | 1.45% |
| Utilities | \$860,805 | \$1,009,150 | \$148,345 | 17.23% |
| Statutory Employee Benefits | \$2,283,768 | \$2,398,250 | \$114,482 | 5.01% |
| LOSAP | \$54,705 | \$44,000 | (\$10,705) | -19.57% |
| Grants | \$89,495 | \$18,913 | (\$70,582) | -78.87% |
| Capital Improvements | \$185,471 | \$130,000 | (\$55,471) | -29.91% |
| Debt Service | \$2,406,376 | \$2,184,776 | (\$221,600) | -9.21% |
| Deferred Charges | \$144,175 | \$204,000 | \$59,825 | 41.49% |
| Reserve for Uncollected Taxes | \$866,064 | \$899,919 | \$33,855 | 3.91% |
| Total Budget | \$22,058,904 | \$21,680,318 | (\$378,587) | -1.72% |

Comments: This slide represents budget changes from 2000 to the present year as well as changes to the local tax levy. 2011 is the first decrease in the budget in over ten (10) years.

Budget Increases 2000-Present

| Year | Adopted Budget | Dollar Increase to Budget | Percentage Change to Budget | Amount Raised by Taxation | Dollar Increase Tax Levy | Percentage Increase Tax Levy |
|------|----------------|---------------------------|-----------------------------|---------------------------|--------------------------|------------------------------|
| 2000 | \$13,877,967 | | | \$5,252,251 | | |
| 2001 | \$14,310,229 | \$432,262 | 3.11% | \$5,278,512 | \$26,261 | 0.50% |
| 2002 | \$15,060,975 | \$750,746 | 5.25% | \$5,780,417 | \$501,905 | 9.51% |
| 2003 | \$16,506,369 | \$1,445,394 | 9.60% | \$6,861,253 | \$1,080,836 | 18.70% |
| 2004 | \$17,752,516 | \$1,246,147 | 7.55% | \$7,088,129 | \$226,876 | 3.31% |
| 2005 | \$18,651,656 | \$899,140 | 5.06% | \$7,423,184 | \$335,055 | 4.73% |
| 2006 | \$19,479,676 | \$828,020 | 4.44% | \$9,516,865 | \$2,093,682 | 28.20% |
| 2007 | \$19,916,089 | \$436,412 | 2.24% | \$9,663,618 | \$146,753 | 1.54% |
| 2008 | \$20,945,693 | \$1,029,605 | 5.17% | \$10,317,640 | \$654,022 | 6.77% |
| 2009 | \$21,673,710 | \$728,017 | 3.48% | \$11,411,815 | \$1,094,175 | 10.60% |
| 2010 | \$22,058,904 | \$385,194 | 1.78% | \$11,773,263 | \$361,448 | 3.17% |
| 2011 | \$21,680,318 | (\$378,587) | -1.72% | \$11,937,854 | \$164,591 | 1.40% |

Revenues

Comments: This slide highlights a growing trend that is related to the economy and the Fort closure. You see that miscellaneous revenues line item (interest on investments) is decreasing by \$150,000 and that receipts from delinquent taxes is decreasing by \$100,000. Note that taxes are increasing by \$164,591. The receipts from delinquent taxes line item is being reduced due to pending state tax appeals. Tax appeals by commercial property owners are taking a toll on the Borough's revenue forecast and on the surplus. Refunds of prior year appeals come directly from surplus. Refunds from tax court judgments were:
 2009 \$113,493.59
 2010 \$281,664.16
 2011 as of 4/26/11 \$192,328
 Seabrook Village, our largest taxpayer, has an appeal pending.

| Revenues | 2010 | 2011 | Difference |
|--|--------------|--------------|-------------|
| Surplus Anticipated | \$3,150,000 | \$3,150,000 | \$0 |
| Miscellaneous Revenues : Local Revenues | \$1,491,000 | \$1,341,000 | (\$150,000) |
| State Aid | \$1,490,676 | \$1,490,459 | (\$217) |
| Uniform Construction Code Fees | \$150,000 | \$150,000 | \$0 |
| Public & Private Revenues Offset with Appropriations | \$82,135 | \$11,553 | (\$70,582) |
| Other Special Items | \$3,371,830 | \$3,149,452 | (\$222,378) |
| Receipts from Delinquent Taxes | \$550,000 | \$450,000 | (\$100,000) |
| Amount to be Raised by Taxation | \$11,773,263 | \$11,937,854 | \$164,591 |
| Total Budget | \$22,058,904 | \$21,680,318 | (\$378,586) |

Miscellaneous Revenues : Local Revenues

Interest on Investments anticipated reduced by \$150,000

Public & Private Revenues Offset with Appropriations

Grants - no impact on taxes

Other Special Items - Majority of revenue reductions were offset by reduction of appropriations

Receipts from Delinquent Taxes - reduced because of pending tax appeals

Conclusion: In conclusion , the Administration feels that it has prepared a fiscally sound budget that overall will meet the spending obligations of the Borough. As previously stated, some budgets will be overfunded and some underfunded, but all in all it should be sufficient to meet the Borough's needs and remain a full service municipality. The real challenge is to outlast the present economy and the Fort closure. These two (2) situations pose a far greater risk to the regeneration of surplus and the stabilization of the tax rate. For 2011 we have reducing spending for the first time in over ten years and we have proposed a very modest tax increase.