

Citizens Finance Advisory Committee

2018 Princeton Budget Newsletter



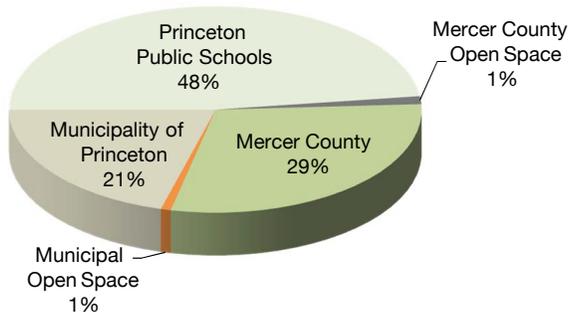
Municipal Tax Rate Remains Unchanged for 2018; Total Property Tax Rate Rises by 1.4 Percent

Princeton's 2018 municipal property tax rate remained unchanged from 2017. This is the third time in the last six years that the municipal tax rate has stayed flat or decreased. Despite pressures from increasing expenses, the Municipality of Princeton was able to maintain a flat tax rate this year through prudent budgeting and judicious use of surplus funds. Though the municipal tax rate remained the same for 2018, some residents may see increases or decreases in their municipal taxes, as a result of changes to their property's assessed value, arising from the town's program of reviewing assessments town-wide. (For more on this ongoing Compliance Plan process, see page 2.)

Despite the municipality's holding the line on its tax rate, Princeton residents' total property tax rate increased 1.4 percent from last year, as a result of increases to the school and county tax rates. Residents whose homes are assessed at the 2018 municipal average of \$837,074 will see their total tax bill increase by \$268 from last year.

On the next page you will find a series of frequently asked questions, accompanied by answers, about your property tax bill. **Please note that this newsletter focuses on municipal taxation and budgets.** The town is only the billing and collecting agent for the school and county portion of the tax bill. If you want more information about municipal taxes or about Princeton's municipal budget, please call Access Princeton, at 609-924-4141, or visit www.princetonnj.gov/finance.html.

Your 2018 Tax Bill



2018 Average Tax Bill

(based on residential value of \$837,074)

	2018		Change vs 2017	
	Avg. Tax Bill	Tax Rate	Tax Rate	Tax Bill
Princeton Municipal Tax*	\$ 4,060	0.485	0.0%	\$ -
Municipal Open Space	\$ 142	0.017	0.0%	\$ -
Princeton Public Schools	\$ 9,367	1.119	1.6%	\$ 151
Mercer County Govt & Open Space	\$ 5,952	0.711	2.0%	\$ 117
Total	\$ 19,521	2.332	1.4%	\$ 268

*Includes library tax

Letter from the Mayor

Welcome to the Princeton's 2018 budget newsletter. Here you can find information about the municipal budget and an explanation of your tax bill. I'm happy to report that this year municipal taxes are remaining flat.

Affordability is one of Council's key priority areas. The Council and Planning Board have assembled an affordable housing plan grounded in the smart growth principles of economic prosperity, social equity, and environmental sustainability. The plan will meet Princeton's affordable housing obligation and continue our commitment to build a diverse and equitable community. In addition, Council will be considering ordinances designed to create more housing opportunities for the "missing middle," including "granny flats," accessory dwelling units, and duplexes. This effort is part of the Neighborhood Character Initiative that was created in response to the problem of out-of-place, out-of-scale new homes. Council is also considering a package of zoning reforms including limitations on grading, garage and driveway design, and new provisions for landscaping. The ordinances will include illustrated design guidelines – a first for Princeton – making them easier to understand.

A new Economic Development Committee, made up of local business owners, property managers, and elected officials, is working on a series of regulatory changes to bolster the local commercial sector. Princeton is rightly proud of a business district that is a magnet for the region, and the municipality is committed to

supporting economic vitality and diversity of services for residents and visitors alike. New smart parking meters and a parking app will make paying for parking more convenient, and a plan to open up private sector parking for the public during non-business hours will benefit the businesses and public alike.

We continue to look for ways to share resources to stretch our limited tax dollars, and this year we restructured a shared services agreement for computer networking support with the public library and the Princeton Public Schools. The town now pays \$5,000 less for networking support, while nearly tripling the number of service hours we receive.

On behalf of the Princeton Council, I want to thank our administration and finance staff and the volunteers of the Citizens Finance Advisory Committee for their guidance throughout this year's budgeting process. As mayor, I appreciate the great degree to which Princeton's citizens are deeply attentive to and engaged in all aspects of municipal life. I look forward to working with my colleagues on Council, the hundreds of volunteers on our boards and commissions, and the larger Princeton community to provide you with the best possible services, delivered in the most efficient and cost-effective ways possible.

Yours truly,
Liz Lempert, Mayor

Frequently Asked Questions

Did my 2018 property taxes go up or down?

Overall property taxes went up slightly by 1.4 percent. While there was no change in the municipal tax rate, both the school tax and Mercer County tax, which account for 78 percent of your total property taxes, rose.

- The municipal tax rate stayed the same as last year's at 48.5 cents per \$100 of assessed property value. For a home valued at the municipality's average assessment (\$837,074), the municipal portion of the tax bill remained at about \$4,060.
- The school tax rate increased 1.6 percent. The county tax increased 2 percent, driven mainly by an increase in Princeton's share of the county's total tax levy due to equalization. Equalization is a method used to adjust assessed property values to current market values across all of the county's disparate municipalities. Princeton's market values continue to increase relative to the whole of Mercer County and, as a result, state law requires us to absorb a bigger share of the county tax bill.
- The total property tax rate increased 1.4 percent. For a home assessed at the average assessment (\$837,074), total property taxes will increase by about \$268, to \$19,521, in 2018. (Please refer to the Average Tax Bill chart on the first page.)

What proportion of my property taxes supports the municipality of Princeton, the Princeton Public Schools and Mercer County?

As shown in the pie chart, "Your 2018 Tax Bill," on the first page, 22 percent of your total property taxes support Princeton's municipal government and the municipal open space fund. The remaining 78 percent of your tax dollars go to the Princeton Public Schools (48 percent) and to Mercer County government and open space preservation efforts (30 percent).

How much did Princeton's municipal budget change from last year?

The town's 2018 budget totals \$65,005,303, which represents an increase from 2017 of \$2,485,000, or about 4 percent. Compared with 2017, the municipality's general operating expenses increased by about 6.6 percent, or \$2,973,550. The increased spending is primarily the result of a decision to apply \$2,126,000 of our Current Fund surplus to prepay some capital obligations. Debt expense increased by 4.5%, and police dispatch functions were reorganized and outsourced. This had the effect of decreasing salary and wage costs and increasing operating expenses. Overall salaries and wages decreased by almost \$500,000, or 3 percent. Total staffing for 2018 is budgeted at 12 fewer positions than budgeted in 2017, which stems from the police dispatch outsourcing. (See staff level chart on this page.) This year's \$65,005,303 in total budgeted appropriations is funded by property taxes (53 percent) and other non-tax revenues (47 percent). Non-tax revenues are budgeted to increase by \$1,743,833 and revenues from municipal taxes are increasing by a little more than \$741,000 or about 2 percent from 2017. Tax revenues are increasing because the assessed values for all taxable property in Princeton have increased, resulting in a larger tax base from which to fund property taxes. With the exception of Princeton University's annual voluntary payment to the municipality, which increased by 4 percent, and a \$2,750,000 increase in appropriations from the town's Current Fund surplus, almost all other non-tax revenue sources are budgeted to remain flat or down in 2018.

Why is Princeton using more funds from its surplus this year?

The municipality has consistently been conservative in its budgeting and disciplined in spending in recent years. As a result, we have underspent what we budgeted. The unexpended amounts have accumulated as surplus in the town's Current Fund. We are using a small amount of surplus to keep the tax rate flat, and a larger amount to accelerate payment on some old unfunded capital spending. Our remaining surplus will stay at levels that are supportive of our AAA-rated municipal bond credit rating. (continued on page 4)

Princeton Municipal Staff Levels



Updating Home Assessments: The "Compliance Plan"

Your home's assessed value is determined by actual sale prices of properties similar to yours in your neighborhood. This is the "true value" of your property as specified by New Jersey law. There are three basic approaches to maintaining accurate assessments. The first method is to periodically revalue the entire municipality, most often by hiring an outside consultant. This type of whole-town review last occurred in Princeton in 2010 (prior to consolidation, when both municipalities jointly underwent a complete revaluation). The second is a program through which municipal staff members re-inspect the entire town every five years. The third approach is to have the municipal tax assessor evaluate home sale prices and compare them to current assessments each year, on a rolling basis. This method, a yearly "Compliance Plan," has been in effect in Princeton since the 2010 revaluation. By adjusting values each year (both down as well as up), the assessor's office can maintain uniform and fair values and avoid the dramatic changes that can occur when assessments are made at longer intervals.

Each year, the State Division of Taxation provides a list of "usable sales" for the tax assessor to use as a benchmark to determine if new assessments are needed. The assessor compares sales to assessments in more than 100 Princeton neighborhoods (using the neighborhood map developed by the revaluation firm in 2010). The current trend of sales price to assessments of a neighborhood is "flagged" if it is more than 15 percent beyond the town's overall current ratio of sale prices to assessed values. (The Director of the State Division of Taxation sets this ratio for each of New Jersey's municipalities.) The Princeton assessor makes global neighborhood adjustments to home or land values in order to return the "flagged" neighborhood to uniformity.

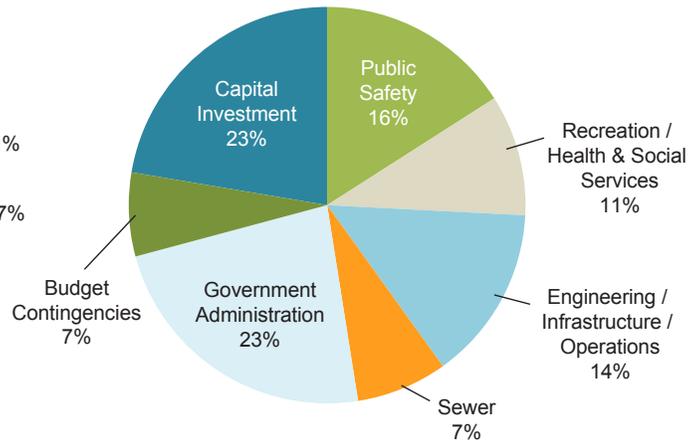
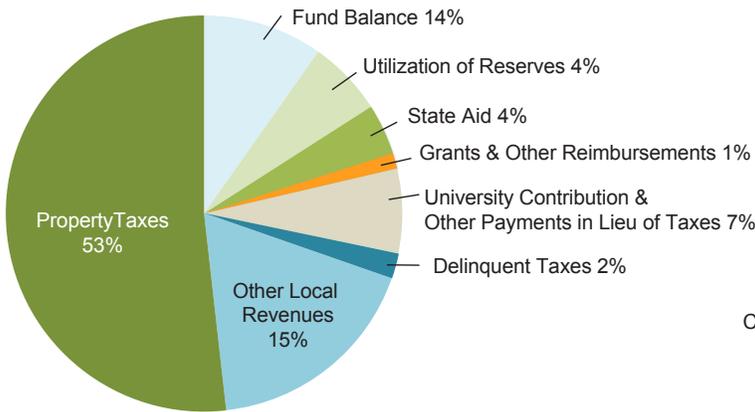
Princeton currently has more than 8,100 assessed properties. Each year, through the Compliance Plan, the assessor changes the assessments of about 1,000 of these properties. The changes in home assessments in the Compliance Plan must be reviewed and approved yearly by the Mercer County Tax Board, which also reserves the right to adjust the assessor's work on a case-by-case basis.

If your property assessment has increased under the Compliance Plan (indicated on the property tax "green cards" mailed each February) or, for any reason, you believe your current assessment is above the market value of your home, you have the right to file an appeal. For information about how to appeal your tax assessment, or for general information about the assessment process, see the tax assessor's pages on the municipal website, <https://www.princetonnj.gov/departments/tax-assessor>.

Princeton Municipal Budget

2018 Sources of Revenue

2018 Appropriations \$65,005,303



Appropriations

	2018	2017	% change
Public Safety			
Police & Dispatch	8,608,755	8,311,472	
Fire Safety & Emergency Management	1,840,442	1,800,757	
	10,449,197	10,112,229	3.3%
Recreation/Health and Social Services			
Parks / Recreation / Senior Resource Center	1,255,945	1,234,519	
Health Department / Animal Control	451,080	449,855	
Library / Human Services / Corner House Counseling	4,867,349	4,749,335	
	6,574,374	6,433,709	2.2%
Engineering/Infrastructure/Operations			
Engineering / Utilities / Liability Insurance	3,496,533	3,549,594	
Roads / Buildings & Grounds / Vehicle Maintenance	3,918,554	3,928,273	
Trash Collection / Recycling	1,849,500	1,785,500	
	9,264,587	9,263,367	0.0%
Sewer			
Sewer & Solid Waste	961,376	972,823	
Stony Brook Regional Sewer Authority	3,795,000	3,870,000	
	4,756,376	4,842,823	-1.8%
Government Administration			
Admin / Finance / Tax / Legal / Clerk / Planning / Zoning / Land Use	3,512,027	3,472,625	
Courts / Prosecutor / Public Defender	492,155	486,991	
Information Technology	843,743	829,118	
Pension / Social Security Contributions and Employee Insurance	8,743,575	8,851,700	
Other Salary Expense (Salary Adj, Retirement, Sick Payout)	110,000	100,000	
All Other (Grants, Busing, Environmental, Deer Management, etc.)	1,186,557	1,370,721	
Amortization of Tax Maps	-	25,000	
Amortization of Consolidation Expense	-	458,516	
	14,888,057	15,594,671	-4.5%
Budget Contingencies			
Spending Contingency	1,447,488	1,432,249	
Reserve for Uncollected Taxes (Revenue Contingency)	2,914,224	2,915,135	
	4,361,712	4,347,384	0.3%
Capital Investment			
Bond Principal / Interest on Bonds / Notes	10,775,000	10,240,625	
Sewer & Green Trust Debt Service	1,110,000	1,135,532	
Capital Improvement Fund	500,000	350,000	
Cash Capital	2,326,000	200,000	
	14,711,000	11,926,157	23.4%
Total Budget	65,005,303	62,520,340	4.0%

Frequently Asked Questions

(continued from page 2)

How is Princeton's debt being managed?

At the beginning of 2018, outstanding debt was \$82.6 million, a decrease of \$3.3 million from 2017, and \$13.9 million since consolidation in 2013. Our debt arises entirely from borrowings to fund capital spending. Capital spending is closely managed to ensure that the resulting future debt service costs remain within an acceptable range, while we continue investing appropriately to maintain our roads, buildings and municipal equipment. The municipality continues to maintain its top-ranked AAA rating from municipal bond-rating agencies, indicating their highest confidence in the municipality's ability to meet its financial obligations. Princeton is one of only 6 municipalities in New Jersey that has earned the AAA rating from both major bond rating agencies.

How much is Princeton spending on capital expenses?

Distinct from the operating budget, Princeton's 2018 capital budget is \$14,148,670. Significant items include road and sewer upgrades and replacements, repairs to municipal facilities, and replacement of town vehicles and equipment. In 2018 we are also budgeting \$3 million for the construction of a 30,000 square foot "cold storage" building to shelter public works equipment at our River Road facility, and \$1 million for the purchase and installation of state-of-the-art parking meters town-wide. The cold storage facility will extend the life of expensive public works equipment, and the parking technology will enable the town to more efficiently manage its parking system. In the long term, both projects are expected to pay for themselves. Approximately \$1 million of capital spending will be funded by grants. While the capital budget represents spending authorized in 2018, actual spending is usually spread out over several years. Almost all capital spending not funded by grants is funded through borrowing.

Does Princeton University help offset my property taxes?

In addition to owning a considerable number of tax-exempt properties, Princeton University also owns the greatest amount of taxable property in town and is Princeton's largest taxpayer. Moreover, as part of a seven-year agreement between the university and the municipality reached in 2014, the university will voluntarily contribute more than \$3.2 million to the town in this fifth year of the arrangement. This is a 4 percent increase from last year, and the agreement calls for yearly 4 percent increases until it ends in 2020. Also as part of the agreement, the university is contributing another \$2.59 million to fund projects that benefit the town's department of public works, firefighters and first aid and rescue squad. The university has also agreed to pay taxes on properties that could be tax-exempt, such as graduate student housing. Including these properties and all other taxable properties owned by it, in 2017 the university paid slightly more than \$9.1 million in total property taxes to the municipality of Princeton on behalf of Mercer County, the Princeton Public Schools and the municipality. Of the more than \$9.1 million in total property taxes paid by the university, the municipality's portion accounted for just over \$2 million.

What issues could affect the municipality's future finances?

This March, culminating a longstanding statewide legal process, a Mercer County Superior Court judge determined that Princeton is obligated to build 753 affordable housing units to cover the period from 1999 to 2025. Princeton has already built a number of units of affordable housing since 1999 that will count toward this total. However, the ultimate number of units to be built, affordable and otherwise, will affect the town's population, and may increase demands for municipal services. These demands for services may, in turn, require additional revenues to fund them. As this newsletter went to press, the town was preparing its housing plan, which will be submitted to the court for approval. For the current status of Princeton's activities to meet its affordable housing obligations, please go to www.princetonnj.gov/news/faq-on-princeton-third-round-affordable-housing-plan-and-process.

The Municipality's Role in Collecting Your Taxes

Under New Jersey law, the municipality of Princeton functions only as the billing and receiving agent for school and county taxes. When you pay your entire property tax to the municipality — either directly or through a bank or other mortgage lender — Princeton only keeps its municipal share, i.e., 22 percent of the total tax you pay. The municipality transfers the remaining 78 percent of your tax payment to the Princeton Public Schools (48 percent) and to Mercer County (30 percent). For more information on the school budget and taxes, visit the Princeton Public Schools' website at www.princetonk12.org/business/; for more information about Mercer County's budget and taxes, visit the county's website at <http://nj.gov/counties/mercer/>.

You May Be Eligible for Tax Relief

New Jersey offers property tax deductions for seniors, seniors who are disabled, and qualifying war veterans or their surviving spouses. Disabled veterans who qualify, or their surviving spouses, may be exempt from property taxes.

For more information, please visit the following NJ Division of Taxation websites: www.state.nj.us/treasury/taxation/relief.shtml and www.state.nj.us/treasury/taxation/otherptr.shtml, or call Neal Snyder, Princeton Tax Assessor, at 609-924-1084.

Access Princeton

For questions regarding anything from potholes to municipal services, call 609-924-4141. Access Princeton also offers free notary services and passport help to Princeton residents.



The Citizens Finance Advisory Committee

The Citizens Finance Advisory Committee (CFAC) is a volunteer body made up of financial professionals from the community who share their expertise with the municipality.

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Mara Franceschi
Adrienne Kreipke
Julie Ramirez

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Tim Quinn

Staff Liaisons

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Sandra Webb, *Chief Financial Officer*

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