

**GOVERNMENT
STRATEGY
GROUP**

ADDENDUM
Annexation Impact Study

**Regarding the South Seaside Park Section of Berkeley
Township**



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Introduction

As a result of the discussions at the Borough Council workshop meeting on March 5, 2026, Government Strategy Group prepared this addendum to present the property tax modeling in a simplified format for ease of review and public understanding. This addendum illustrates how municipal property tax rates are calculated and how those calculations were applied in evaluating potential tax impacts associated with annexation.

As with any financial projection, the results of tax modeling are dependent upon the assumptions used, the specific data inputs selected, and the manner in which those inputs are evaluated. Different analytical approaches may emphasize different variables or assumptions, which can result in variations in projected outcomes. For this reason, reasonable analysts reviewing the same underlying data may arrive at somewhat different conclusions depending on the assumptions and methodology applied. The analysis presented in the Annexation Impact Study and summarized in this addendum reflects one structured approach based on the data available and the assumptions outlined in the report.

Property Tax Rate Calculation Methodology

Municipal property tax rates in New Jersey are determined using a standard formula:

$$\text{Tax Rate} = \text{Amount to be Raised by Taxation} \div \text{Total Assessed Valuation}$$

The amount to be raised by taxation is determined after accounting for:

- Municipal operating expenditures
- County tax obligations (general County, library, open space and health)
- School tax obligations
- One-time transition costs (where applicable)
- Non-tax revenues such as permits, franchise fees, and other municipal revenues

Once the total levy is established, the tax rate is calculated by dividing that levy by the total assessed valuation of all taxable property within the municipality.

If annexation were to occur, both sides of this equation may change:

Changes to the Levy

Annexation may introduce certain municipal expenditures associated with extending services, staffing, and operational integration. At the same time, the Borough may receive additional non-tax revenues associated with the annexed area, including permit activity, beach revenue, franchise fees, and other sources.

Changes to the Tax Base

Annexation would also increase the Borough's total assessed valuation through the addition of ratables located in South Seaside Park. This expanded tax base would then be used in calculating the resulting municipal tax rate.

Clarification of the Tax Modeling Framework

During public discussions regarding the Annexation Impact Study, questions were raised regarding how the projected tax impacts account for both changes in municipal revenues and the expansion of the Borough's ratable base.

To clarify, under this framework, the amount to be raised by taxation is first determined based on projected expenditures and non-tax revenues. The resulting levy is then divided by the total assessed valuation of all taxable property within the municipality to determine the tax rate.

When annexation is modeled, both sides of this equation change simultaneously. Municipal expenditures and revenues may change as services expand, while the Borough's total assessed valuation increases through the addition of ratables in the annexed area.

These two elements represent distinct components of the property tax calculation, and both must be reflected in order to accurately model potential fiscal impacts associated with annexation.

Simplified Tax Modeling Illustration

To assist the Borough Council and residents in understanding the relationship between these variables, Government Strategy Group prepared a simplified tax modeling illustration comparing three scenarios:

- 2025 Actual Property Tax Structure
- 2026 Projected Property Taxes Without Annexation
- 2026 Projected Property Taxes With Annexation

The simplified model incorporates:

- projected municipal expenditures
- county and school tax obligations*
- estimated non-tax revenues
- projected one-time transition costs
- the change in total assessed valuation resulting from annexation.

* Note: The 2026 County and 2026-2027 school tax obligations have not yet been finalized through the respective budget processes. For purposes of this analysis, these amounts are

based on reasonable estimates derived from currently available information. The regional school tax figures specifically reflect the 2025–2026 school tax levy as provided by the Regional School District’s Business Administrator, which was used as the most recent available reference point for modeling purposes.

Further, the one-time transitional costs associated with annexation in the first year are estimated to be nearly \$700,000. These costs represent upfront expenditures related to the implementation of annexation and would not recur in subsequent years. As a result, once these initial transition costs are absorbed, the projected per-household tax savings would be expected to increase in future years.

Additionally, as existing capital debt is retired over the following ten years, the resulting reductions in debt service obligations are expected to further decrease the Borough’s overall tax burden. Over time, these factors may contribute to additional long-term tax relief for households.

| Total Taxes to be Collected | | | |
|-------------------------------------|-------------------------|--|---|
| Tax | 2025 Actual | 2026 Projected w/o Annexation | 2026 Projected with Annexation |
| <i>County Library</i> | \$ 528,759 | \$ 533,416 | \$ 704,202 |
| <i>County Open Space</i> | \$ 224,813 | \$ 226,793 | \$ 299,406 |
| <i>County Health</i> | \$ 312,772 | \$ 315,527 | \$ 416,550 |
| <i>County</i> | \$ 5,284,338 | \$ 5,330,876 | \$ 7,037,688 |
| Total County | \$ 6,350,682 | \$ 6,406,611 | \$ 8,457,846 |
| Local Municipal | \$ 7,959,710 | \$ 8,347,283 | \$ 11,182,086 |
| Local School | \$ 590,412 | \$ 602,220 | \$ 602,220 |
| Regional School | \$ 5,503,465 | \$ 5,503,465 | \$ 8,929,812 |
| | | | |
| Total Taxes | \$ 20,404,269 | \$ 20,859,579 | \$ 29,171,964 |
| | | | |
| Total Assessed Valuation | \$ 1,176,093,800 | \$ 1,176,093,800 | \$ 1,788,216,500 |

| Tax Rates | | | | |
|------------------------|--------------------|--|---|--|
| Tax | 2025 Actual | 2026 Projected w/o Annexation | 2026 Projected with Annexation | Difference Between Annexation and No Annexation |
| <i>County Library</i> | 0.045 | 0.045 | 0.039 | -15.17% |
| <i>Open Space</i> | 0.019 | 0.019 | 0.017 | -15.17% |
| <i>County Health</i> | 0.027 | 0.027 | 0.023 | -15.17% |
| <i>County</i> | 0.449 | 0.453 | 0.394 | -15.17% |
| Total County | 0.540 | 0.545 | 0.473 | -15.17% |
| Local Municipal | 0.677 | 0.710 | 0.625 | -13.50% |
| Local School | 0.050 | 0.051 | 0.034 | -52.05% |
| Regional School | 0.468 | 0.468 | 0.499 | 6.29% |
| Total/Overall | 1.735 | 1.774 | 1.631 | -8.72% |

Because the Borough’s tax base would change under an annexation scenario, the average assessed value of residential properties would also change. For example, the estimated average value of a Class 2 residential property is \$573,479 without annexation and \$516,462 with annexation. To allow for a consistent comparison, the examples below use a sample residential property assessed at \$600,000.

| Sample Home with Assessed Value | \$ 600,000.00 | | | |
|--|---------------------------|------------------------|--------------------|---------------------|
| | Without Annexation | With Annexation | Difference | % Difference |
| County Library | \$ 272.13 | \$ 236.28 | \$ (35.85) | -13.17% |
| Open Space | \$ 115.70 | \$ 100.46 | \$ (15.24) | -13.17% |
| County Health | \$ 160.97 | \$ 139.76 | \$ (21.21) | -13.17% |
| County | \$ 2,719.62 | \$ 2,361.35 | \$ (358.26) | -13.17% |
| Local Municipal | \$ 4,258.48 | \$ 3,751.92 | \$ (506.55) | -11.90% |
| Local School | \$ 307.23 | \$ 202.06 | \$ (105.17) | -34.23% |
| Regional School | \$ 2,807.67 | \$ 2,996.22 | \$ 188.55 | 6.72% |
| Total | \$ 10,641.79 | \$ 9,788.06 | \$ (853.73) | -8.02% |

Summary Observations

Based on the assumptions used in the Annexation Impact Study:

- The Borough’s total assessed valuation would increase with the addition of South Seaside Park properties.
- Certain municipal expenditures would increase as services are extended to the annexed area.
- Additional non-tax revenues associated with the annexed area would partially offset these new costs.
- The regional school tax component may increase depending on enrollment patterns and statutory allocation formulas.
- When the adjusted levy is divided across the expanded ratable base, the resulting municipal tax rate is projected to decline relative to current levels under the modeled assumptions.

Important Considerations

As noted in the original Annexation Impact Study, property tax projections are sensitive to several external variables, including:

- final debt allocation methodology
- school funding formulas and enrollment patterns
- the timing of service integration and staffing
- future municipal budget decisions
- economic and policy factors that may influence municipal revenues and expenditures.

Accordingly, the calculations presented in both the study and this addendum are intended to illustrate the potential fiscal impact of annexation under a defined set of assumptions.

Conclusion

The information presented in this addendum is intended to supplement the financial modeling contained in the Annexation Impact Study by providing a simplified illustration of the property tax calculation framework.

The methodology used in the study follows standard municipal finance practices for projecting tax impacts based on changes to both municipal expenditures and total assessed valuation. As with the original report, the projections presented are illustrative and depend on a number of assumptions that may evolve over time based on future budget decisions, state policy changes, and other external factors.

Government Strategy Group remains available to assist the Borough and its residents in understanding the fiscal considerations associated with annexation and to provide additional analysis should the Borough Council request further evaluation.