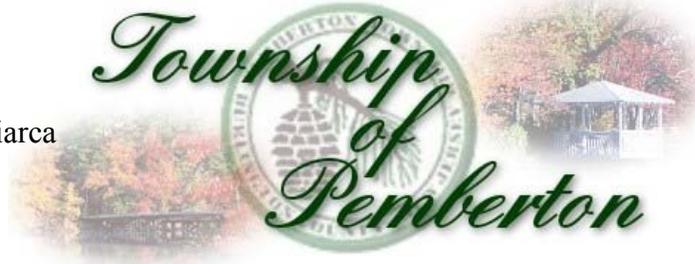


Mayor
David A. Patriarca



Business Administrator
Dennis Gonzalez

February 14, 2017

CY2017 BUDGET MESSAGE

To the Residents of Pemberton Township and Honorable Members of the Township Council

Administration's CY2017 budget proposal was presented to the Pemberton Township Council on February 10, 2017, well in advance of the March 1, 2017 deadline prescribed by the NJ Division of Local Government Services. We reference the submission date and deadline not to say that preparing a municipal budget is an easy process but instead to assure the residents that their government works with this process throughout the year. Managing the budget throughout the year not only allows for a better understanding of our needs and obligations for the current year but also meets our obligation to plan responsibly for the upcoming year. As with each budget that I have presented to Council over the past ten years, foremost in my mind are the current (and future) needs and desires that you have expressed, as well as the financial impact that fulfilling these requests will have on property owners. I am pleased to report that the fiscal and operational progress that we made in CY2016 also bodes well for CY2017, and beyond.

In my budget message last year, I recited the challenges that we faced ahead. We reported that the lack of new revenue sources to meet the increase in expenses related to obligations associated with collective bargaining agreements, and the County mandate for Township-wide real property revaluation at an anticipated cost of \$750,000 were expected to be troublesome. With the threat of future challenges we sharpened our pencils and immediately went to work to find a solution. With the help of all of our employees we have not only met the challenge but continue to work on meeting future challenges. While maintaining public services and continuing street and recreation facility projects at an unprecedented rate, we have also realized a CY2016 surplus of nearly \$2.6 Million Dollars.

This surplus will allow us to include additional funding for necessary expenditures in the CY2017 operating budget which otherwise would have had to be financed.

The expenses in the CY2017 budget that I propose for township operations, including salaries and benefits for our current employees, medical benefits for eligible retirees, and the cost of materials needed for the day to day services that we currently provide is \$16,713,027.26. That amount represents a modest increase from the CY2016 budgeted operations of \$83,455.48 which equates to a modest ½ of 1% increase.

As we implement every adopted budget, we continue to evaluate and improve operations. We do not spend tax dollars because there is money in the budget; we spend tax dollars only when there is a need to provide services and meet our obligations. Even after the Township Council adopts the annual budget, all Department Directors and members of my Administration are charged with evaluating and reevaluating budgeted expenses in an effort to save money throughout the year. Adjustments are always made which reflect a responsible approach to spending.

It is important to understand how we achieved the substantial increase in surplus from last year? First, stabilizing surplus from year to year is critical even though a variety of disparate economic reasons contribute to its increase or decrease from year to year. Second, in CY2016, we spent \$932,563.09 less than what was budgeted through the substantial efforts of Administration and our Department Directors. Most of these unspent funds can be attributed to salaries which must be included in the spending plan but remain unspent due to retirements and payments to employees as part of their salaries from workers compensation insurance. The unspent funds are then carried forward as surplus. Third, a higher percentage of Pemberton Township property owners paid their real estate taxes last year than previously, resulting in a 2% increase in the tax collection rate. Fourth, we also realized higher revenues than anticipated from vacant property registrations and Municipal Court fines. The unanticipated additional revenue resulted in the increase of surplus which allows us to use more surplus in the CY2017 budget to keep Pemberton Township taxes among the lowest in the County.

Every year, the Mayor and the Township Council carefully craft the Township's annual spending plan and thoughtfully implement it throughout the year. The need for a very modest tax increase of less than one penny to meet our financial obligations, ensures public safety, provides recreational opportunities, includes care for our senior citizens, continues to support our successful road reconstruction program, and maintains our parks.

I pledge for CY2017 that my administration will endeavor to continue to be fiscally responsible and to maintain municipal services to the greatest extent possible within the CY2017 budget adopted by the Pemberton Township Council.

A. CY2016 vs. CY2017

The proposed CY2017 budget is \$24,716,276.64. The final CY2016 budget was \$24,525,953.72.

The Fund balance (surplus) as of December 31, 2015 was \$1,867,245.40 of which we used \$935,600.00 in the adopted CY2016 municipal budget to stabilize the tax rate. The Fund Balance as of December 31, 2016 was \$2,535,906.88. The amount that I propose that we use in the CY2017 budget to offset taxes is \$1,500,000.00. That will leave \$1,035,906.88 of unused surplus, an increase of \$104,261.48 from CY2016.

It is not prudent to use all existing Fund Balances to offset taxes. The key is to adopt and implement the annual spending plan in a manner that will produce a consistent annual Fund Balance that is sustainable to protect the Township against unanticipated expenses, and the possibility of significant spikes in tax rates over the next several years. The manner in which we have used surplus during the past several years to offset taxes without keeping an unreasonable amount of taxes in reserve has achieved the consistency that we need for long term planning and tax stabilization.

B. Municipal Tax Rate

If the Township Council adopts the CY2017 budget that I propose, the municipal portion of the tax rate will increase by less than 1 cent, which would result in an increase of approximately \$8.80 of taxes for each \$100,000 of assessed valuation.

The proposed CY 2017 budget is intended to continue to provide the quantity and quality of municipal services in our community while utilizing recurring revenues to stabilize taxes over the next five (5) years. I would like to thank our Township staff for their input and recommendations and acknowledge their dedication and commitment in working responsibly with administration to follow the spending plan and to protect the interests of our residents.

Sincerely,

David A. Patriarca, Mayor