THE TOWNSHIP OF BRIDGEWATER

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DAN HAYES
Mayor

February 12, 2016

2016 BUDGET ADDRESS

Council President Pedroso, Council members, residents, today I present the spending plan for the 2016 fiscal year which supports the operations of municipal government. The primary goal of my Administration since taking office in 2012 has been to stabilize taxes and keep the municipality in the lowest quartile for municipal tax rates among Somerset County municipalities. The budget that I present to you today maintains this goal while continuing to provide services to our residents in a cost-effective manner. The strength and growth of our revenues, and keen financial management of our expenditures have enabled us to reduce our operating costs by almost $500,000. However, due to the pressures on expenditures outside our control and an increase in our debt service payments the overall tax levy will increase slightly this year. The average home, with an assessed value of $424,130 will see a nominal increase in the municipal portion of the property tax bill of $24.73.

My administration remains focused on our vision – A Bridgewater quality of life that is the exemplar of other communities and our four main goals: maintain among the lowest quartile county municipal tax rates, be vigilant on land use issues, deliver essential services, and improve our infrastructure. This budget supports all of these goals, and does so in a resident first, cost effective manner.

The assessed value of Bridgewater property increased again this year by almost $93,000,000. Of the 565 municipalities in New Jersey, Bridgewater ranks 14th for total value of assessed property.

The success of several shared service programs and revenue generating projects have enabled us to limit the addition of taxes collected to support the budget to a nominal amount, and is well under the allowable CAP limit imposed by law.

Through strict financial control and the sale of non-performing assets, we are able to use an additional $400,000 of funds from general surplus to maintain a stable tax rate in 2016. The remaining balance in general surplus will be the equivalent of what it was in 2015, solidifying our status with the financial rating companies. The partnership with the Bridgewater Commons Mall continues to pay dividends for our residents as we have

anticipated the collection of an additional $100,000 this year, bringing the total of revenue used to offset expenditures for this line item to an all-time high of $2,000,000.

The remaining payments to the Township for expenditures incurred for the recovery from Hurricane's Irene and Sandy are reflected in the budget with revenue of $62,303. This is a significant drop from the previous two years as the payments wind down. A slight slowdown in economic activity impacted the Construction Code office. We anticipate the collection of $1,600,000 for permit fees and inspections in 2016, a decrease of $250,000 from the previous year.

On the expenditure side of the ledger, the budget is impacted by two central areas; pensions and debt service. The pension contribution increased 6.25% or $167,969 for a total of $2,853,396. Our mandatory payment for debt service increased 13.13% or $582,183 for a total of $5,016,707. Currently our debt service payments comprise roughly 12.5% of our operating costs. The need for road and infrastructure repairs persists and we will look for innovative methods to fund cash capital projects to help mitigate debt payments as they weigh upon future years budgets.

Despite these increases we were able to leverage significant savings from shared service agreements and patrol attrition to keep the overall budget level and reduce operating expenses.

The migration to County 911 service allowed for a significant reduction in salaries in the Police Department budget. The savings are offset in the early years of the program as we begin to repay the bond that purchased the necessary equipment for our emergency first responders. The Police Salaries and Wages line item was reduced by $679,844 or %7.42. The total salaries and wages line item for all Township employees shows a reduction of %3.75. This shared services agreement will allow us to maintain the current budget levels despite the aforementioned increases in pensions and debt service and decrease in several miscellaneous revenues.

The Chapter 78 contributions by the employees to offset the cost of healthcare allowed us to keep this expenditure as it was in the previous year. Overall Township employees contributed approximately $626,000 towards the cost of the Township's self-insured health benefits plan.

We will continue our aggressive program of repairing our roads, sanitary sewers and stormwater collection systems. Last year we spent over $5 million on road repairs alone. This allowed us to resurface roads that were heavily potholed during the previous winter. This year the capital budget request includes funding for another $5 million in road repair, chip sealing, sidewalk repair and storm drainage. We will use

existing surplus from the sanitary sewer budget to fund continued work to remove inflow and infiltration from the system and repair aging sewer lines all without increasing indebtedness.

We have examined the risks facing municipal operations and the implied assumptions of the budget. This budget assumes that State Aid revenue will remain flat. While we anticipate receiving the same amount as 2015, any reduction of this amount could cause an increase in taxes. It is necessary to note that if the true amount were rightfully returned to Bridgewater from the State for Energy Tax Receipts and COMPTRA it would provide significant tax relief to our residents as highlighted in an editorial in the Courier News on Wednesday February 10, 2016 which estimated if the proposed bipartisan legislation was passed Bridgewater would receive $2.3 million in funds dedicated for property tax relief to our residents. This would represent a annual reduction in municipal taxes of approximately $133 per the average household.

The budget that I present for your review and consideration addresses the four key goals that guide my administration. We understand the need to keep the municipal tax rate as low as possible thus providing economic relief to our residents, we also understand the requirement to provide the essential services of government that our residents have come to expect and utilize. In the past three years, the administration has delivered upon and remains charged with identifying opportunities to creatively provide services and reduce expenditures.

Working together, with this fiscal plan, we will maintain the quality of life that we and our residents have come to expect and enjoy in Bridgewater. We will remain one of the lowest municipal tax rates in Somerset County. We will continue to be vigilant in land use matters. We will invest in improving our aging critical infrastructure. And, we will provide the essential services of government effectively and efficiently.

I look forward to working with the Council in the coming months to adopt a budget plan that supports our continued success.

Sincerely,

Daniel J. Hayes, Jr.
Mayor