

**MIDDLETOWN TOWNSHIP PUBLIC SCHOOLS
OFFICE OF THE BUSINESS ADMINISTRATOR/BOARD SECRETARY**

59 Tindall Road, Middletown, NJ 07748
Telephone: (732) 671-3850 Fax: (732) 615-9351
Website: Middletownk12.org

Karen Bilbao
Superintendent of Schools

William J. Doering, C.P.A.
Business Administrator/
Board Secretary

**Middletown Board of Education
2008-9 Final Proposed Budget**

Bottom line:

1. The budget as proposed would generate an estimated \$6.7 cent total increase, or a 2.9% increase in school taxes. This is the lowest proposed tax increase in five years.
2. This would be a \$135 annual school tax increase, or \$11.25 per month increase, for a house assessed at \$200,000.
3. The \$6.7 cent estimated increase is comprised of a \$6.8 cent general fund increase – the district's main operating fund budget, and a \$.1 cent debt service fund decrease.

What revenues are in the budget:

1. State Aid is up a little over 2%, or \$481,777 (not exactly 2% due to receiving Adult Education Aid of \$24,552, which was not included in our original State Aid numbers, and based on how the State has factored in Extraordinary Aid).
2. Surplus appropriated to fund the budget is \$2,135,879 (was \$2,091,125 for 2007-8). The utilization of surplus over 2% is required by the State per the June 30, 2007 audited excess surplus calculation. Our concern here is that we will not be able to continue to generate the levels of surplus that have been able to for a few years now. The provisions of S-1701 continue to take away our ability to utilize surplus in a prudent manner to avoid sharp tax increases or decreases from year to year.
3. The DOE budget program forced an additional \$157,075 in surplus to be utilized since it calculates the 2% surplus floor based on budgeted expenditures versus actual expenditures, and eliminates adjustments allowed by the audit calculation. Since the district is not using any cap waivers for the 2008-9 budget, we are proposing depositing \$157,075 to the capital reserve, as allowed by State Statute, for the purpose of addressing capital needs and emergencies. We currently have \$133,438 in capital reserve, and therefore the total would become \$290,513.
4. Miscellaneous revenue is being decreased by over \$200,000 from the prior year. This is primarily due to interest rates plummeting, as evidenced by the cut in the fed rate by over 125 basis points in the month of January 2008 alone.
5. The ratable base in Middletown for 2008 is estimated to go up approximately .8% from the prior year, or \$39.2 million.

What expenses are in the budget:

1. Our debt service budget is substantially the same as the prior year, with only a slight decrease of 1/10th of a cent. This is to pay for bonds approved in previous referendums.
2. For the general fund, at this time, funding is provided for all existing programs and staff positions, although we are continuing to evaluate programs, positions, and educational initiatives.
3. Proposed additions to the 2008-9 budget:
 - a. Personnel (\$412,500, including benefits)
 - 2 new elementary world language teachers
 - 2 elementary reading specialists
 - 1 new elementary co-teacher for special education/academic assistance
 - 1 new student club/stipend for each high school and middle school
 - b. Increase in technology budget for district priorities (\$120,000)
 - c. Athletics
 - Increase in pool rental costs for proposed new location (\$35,000)
 - Increase in hockey program funding (\$20,000, to a total contribution of \$55,000 per year)
 - d. Transportation (\$156,600)
 - New bus route, shuttle for work study program (structured learning program)
 - New bus route, Thorne Alternative Program
 - New bus route, Harmony multi-age
 - New bus route, Austin Academy
 - e. School budgets, increase all by 4% (\$59,578)
 - f. Increase Austin Academy supply and textbook budget by \$4,000.
4. The total salary increase of \$2,642,156 or 3.1%, is due to a number of relevant factors including contractual salary increases, anticipated contractual settlement increases, as well as the new positions and stipends proposed for 2008-9 described above, netted with lower overall salaries for certificated staff due to the retirement of approximately 43 certificated staff members.
5. We've budgeted for an increase in employee benefits of \$1,070,189, or 5.0%. The primary reason for the increase in this area is the State's required increase for PERS pension costs. As required by the State, for 2008-9 we have budgeted for an increase of \$693,004, or over 82%, for PERS pension costs, which brings the district total for PERS pension costs to an anticipated total in the budget of \$1,532,500. Excluding the PERS increase, the health insurance budget is going up \$377,185 or 1.82%, due to lower health insurance renewals and lower incurred but not reported (IBNR) reserve requirements.
6. Transportation has a budgeted increase of \$258,609, or 2.7%. This is primarily due to renewal costs for existing routes and budgeted costs for four (4) new routes as noted above.
7. The out-of-district tuition budgeted has decreased by \$54,634 or 1.3%. This is based on a lower increase in the number of anticipated placements out of district and a lower number of State Facilities students, netted with increases in tuition rates for most out of district placements for next year (excluding Monmouth Vocational, who is keeping rates the same as 2007-8).
8. Utilities (gas, electric, water/sewer, communications) costs have a budgeted increase of \$187,968, or 5%, based primarily on projected rate increases (notably for electricity starting July 1, 2008).

9. The curriculum budget would remain essentially the same dollar total as last year, with possible reallocation between staff development, supplies, textbooks, etc (specifics regarding curriculum new adoptions, staff development and curriculum writing is attached). The increase in this budget category is due to increasing all school budgets by 4% and due to the reclassification of data service contracts from administrative contracts to instructional purchased services (\$79,248 for items such as Surpass, CommVault, McAfee, SASI, MX Logic).
10. Capital Lease Principal and Interest has a budgeted increase of \$3,060 or .1%. This captures the existing capital leases (MCIA 99) as well as capital leases for the elementary HVAC project and high school north synthetic turf.
11. The technology budget is showing an increase of \$124,387 from the prior year, primarily due to the \$120,000 increase noted above. This will provide for much needed technology purchases to support educational initiatives and to address district priorities.
12. The legal budget shows an increase of \$35,000 due to the increase in due process claims. This trend is expected to continue, especially in light of recent legislation.
13. The increase in property/casualty/student accident insurance is due to the continued adjustment of property values to reflect current values and increases in due process claims (under E&O insurance) as well as claim experience history with certain insurances.
14. The total athletic budget shows an increase of \$55,000. This would cover a \$35,000 increase in swimming pool rental costs (location change to a closer, more modern and suitable facility – Raritan Bay Area YMCA) and a \$20,000 increase in hockey program funding (more than 50% of this program will still be funded by parent fundraising).
15. The total decrease in the administration line of \$48,644 is due primarily to reclassification of data service contracts from administrative contracts to instructional purchased services (\$79,248 for items such as Surpass, CommVault, McAfee, SASI, MX Logic).
16. The capital outlay budget shows an increase of \$27,474. This represents a partial re-establishment of the bar in the budget subsequent to transferring out approximately \$47,000 to capital lease principal and interest in 2007-8 based on the district budgeting for the high school north turf project initially under construction services until the capital lease was finalized. For the \$320,000 budgeted (budget last year was \$340,000), the 2008-9 budget provides \$100,000 for capital related professional services, \$200,000 for construction services and \$20,000 for capital-legal.
17. Regarding the State's new administrative cost limitations, our regional threshold is \$1,663 per pupil. Our district 2008-9 budget as proposed contains administrative costs per pupil of \$1,246, which is \$417 LESS per pupil than we are allowed and represents a .7% increase from the prior year. To provide the magnitude of this difference, assuming approximately 10,000 students, the district's administrative costs are over \$4.1 million less than would be allowed based on the regional threshold.

Thank you and please call if you have questions.

Karen Bilbao & William Doering