

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

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MIDDLETOWN TOWNSHIP PUBLIC SCHOOLS 2006-7 FINAL PROPOSED BUDGET OVERVIEW

Generally

- What we are presenting is the *final proposed* budget.
- The budget as proposed would generate a **\$12.8 cent total increase (\$12.2 for the general fund and \$.6 for the debt service fund)**.
- This would be a **\$21.33 per month** school tax increase, or **\$256 annually**, for a house assessed at \$200,000.
- The public would be voting on the \$12.2 cent general fund increase on April 18, 2006 and we will not have a 2nd question for the voters with the 2006-7 budget. The \$.6 cent debt service fund increase (due to the principal payment schedule for the referendum bonds) is not voted on in April.
- This budget reflects an increase of **4.5%**, or \$5.6 million in general fund budgeted expenditures from the prior year. The general fund is the main operating fund of the district.
- Last year's general fund budgeted expenditure increase was 4.7%, and the tax increase was \$7.5 cents compared to a 4.5% increase this year and a proposed tax increase of \$12.8 cents. The inverse and disproportionate effect on taxes is due primarily to flat State Aid, a relatively flat ratable base (compared to a \$43+ million ratable increase last year) and the legislation known as S-1701 which caused our revenues to go down by over \$1 million for 2006-7.
- If you exclude two specific State mandates, S-1701's surplus utilization provisions (negative revenue impact of over \$1 million) and the mandated phase-back to districts and municipalities of the PERS pension costs which the State had been paying for several years previously (negative cost impact of over \$333,000), **the 2006-7 general fund tax increase would be in single digits**.
- **If you exclude the non-discretionary cost increases for 2 categories, utilities and employee benefits** (notably health insurance and PERS pension costs), the general fund budget would only be up **2.9%** from the prior year.

Analysis by Major Expenditure Category Sheet

- Generally, at this time, funding is provided for all existing programs and staff positions.
- Regarding salaries, the 3.8% increase covers primarily contractual obligations. For the general fund, we are only proposing the addition of 3 staff positions, which would be high school teachers

to help address the many core subject area classes that we have with more than 28 students in a class. Additionally, we can fund 1 elementary staff position through our Title II grant funds. We also may reallocate staff once we have more solid enrollment figures for the schools.

- We've budgeted for an increase in employee benefits of approximately 11%. This is comprised primarily of health insurance cost increases, which are based on industry trends and actual district claim experience. The renewal increase for our primary health care provider (our Horizon minimum premium plan) is under 8%, which is well below industry trends. Also contributing to the employee benefit increase is the State's mandated increase in PERS pension costs. For 2006-7, we are required to pay approximately \$536,500 for PERS pension costs. That equates to an increase of \$333,900, or over 160% from the prior year.
- Our transportation category increase of 3.7% covers the cost of contract renewals and provides funding for all existing bus routes. Additionally, 3 required bus routes for Monmouth Vocational School have been added (2 routes for the new Bio-Tech School and 1 for the Diesel program).
- The tuition budget decrease of 5.0% is due to anticipating less out of district placements. The Pupil Services Department has been extremely proactive in their efforts to accommodate special needs children within Middletown's existing programs and facilities.
- Despite the capital lease budget **decreasing** by 7.4%, included in this line is the proposed lease for an elementary school unitvent replacement program. The proposed lease amount of approximately \$1.4 million annually would replace the MCIA 2000 lease we had been paying at \$1.5 million per year, which will be paid off within the current budget year.

Despite the reduction in the capital lease budget, we are proposing a replacement program for the elementary unitvents, which are greatly past their useful lives, as noted by the professionals who prepared our Long Range Facilities Plan and the engineers who recently performed a study specifically of the elementary unitvents. Before being faced with a critical failure of these very old, outdated unitvents, the new lease would provide for new unitvents for our classrooms. Since the newer models of unitvents have cooling elements (air conditioning) contained within the unit itself (self contained units that can be relocated, reused, etc), and since we must begin a replacement program as soon as possible regardless, we believe it would be cost effective to obtain the modern unitvents equipped with a cooling element. In addition, the new unitvents would be energy efficient and would provide for more optimal fresh air, temperature and humidity control for the classrooms. We currently have, based on documented medical needs, approximately 75 window air conditioning units in elementary classrooms that we would be able to remove. The amount of electricity we consume would likely be equivalent, or only negligibly higher than we currently use, since we would be removing the 75 window air conditioning units and approximately 250 antiquated unitvents, and replacing them with new, energy efficient unitvents.

- The curriculum budget would remain essentially the same as the prior year, but continues to provide for necessary new curriculum adoptions and support where applicable for existing adoptions. In accordance with the 5-year curriculum plan, several adoptions would be addressed in 2006-7 across the elementary, middle and high schools. At the high schools in particular, we would have several subject area and elective adoptions.
- Utility costs are expected to increase over 16% for next year. This is due to sharp price increases for gas and electricity. We are getting hit with these increases despite the fact that we have worked to keep our costs as low as possible by participating in cooperative purchasing agreements for both gas (MOESC) and electricity (ACES).

- The technology budget as proposed, appears to be increasing by \$150,000 from the prior year, but the increase is due to reclassifications from other expenditure categories (including a small amount from capital lease) and the reallocation of e-rate funding to offset the increase in the communications budget line to pay for our data network infrastructure costs (e-rate funds previously offset the expenditures within the technology category). The technology budget covers items that are prioritized within the district's approved technology plan.
- Included in the athletic budget is an increase of \$10,000 towards the ice hockey program (\$30,000 total district contribution to the program).
- Included in the health budget are \$15,000 for the potential random drug testing and \$5,000 for defibrillator supplies.
- Regarding the State's new administrative cost limitations, our regional threshold is \$1,554 per pupil. Our 2006-7 budget as proposed equates to administrative costs per pupil of \$1,101, which is \$453 LESS per pupil than the regional threshold.

General Fund Revenues Sheet

- State Aid is flat (same as the previous two years). This would mean State Aid has essentially been flat for 3 of the last 5 years, and will now be at the same level for the third year in a row.
- The ratable base in Middletown has remained generally flat, only going up .2% from the prior year.
- Miscellaneous revenue is being increased by 50% or \$500,000 from the prior year. This is primarily due to interest rates going up, which allows us to budget more for interest income.
- Regarding surplus utilization, here is an excerpt from last year's budget presentation:

“Let me be very clear that we are very concerned that we have been set up for significant tax spike with the 2006-7 budget. We will not be able to replace the majority of the \$2.6 million in surplus we are being forced to utilize for the 2005-6 budget due to S-1701, which will leave us with a huge revenue hole for 2006-7.”

- Surplus appropriated to fund the 2006-7 budget has been decreased by over \$1 million from the prior year, due to S-1701. Last year, S-1701 required us to reduce our surplus to 2%, and forced the utilization of over \$1 million additional surplus dollars. As we feared, we were not able to replace that much surplus, leaving a huge revenue hole in our 2006-7 budget. Therefore, the \$1 million dollar shortfall caused by S-1701's forced use of surplus last year must now be picked up by the local taxpayers. As indicated previously, were it not for the forced surplus last year and the mandated PERS pension costs for this year, our 2006-7 general fund tax increase would be a single digit number.

In Conclusion

- As with every year, we are doing our best in attempting to balance the needs of the district and the community. We again find ourselves with a shortfall in available funding, but with no shortfall in educational or fiscal mandates and expectations for the district.