

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

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Middletown Board of Education
2009-10 Final Proposed Budget

Bottom line:

1. The budget as proposed would generate a 2.6% total increase or a \$2.7 cent increase (using the new ratable base figures) in school taxes.
2. This would be a \$117 annual school tax increase, or \$9.79 per month increase, for a house assessed at \$435,000 (new average after revaluation is \$433,900).
3. The \$2.7 cent estimated increase is comprised of a \$2.7 cent general fund increase – the district's main operating fund budget, and no change in the debt service fund.
4. The Township has confirmed the post-revaluation converted tax rate, and therefore, all tax impact scenarios can now be shown with post-revaluation numbers.
5. Need State resolution as to whether they will fund the State-mandated pre-school program.
6. The net of several slight changes since the tentative budget (approved February 25, 2009) resulted in a reduction of \$28,192 for the proposed budget. This is due to a few additional staff retirements (on March agenda), final State Aid numbers (a little lower than last year), a reduction in anticipated interest income based upon the latest projections, a slight reduction in the technology budget, a slight reduction in the health insurance budget and a slight reduction in the tuition budget (based on State Facilities count that comes with State Aid notice).

What revenues are in the budget:

1. State Aid is slightly lower than last year (down by \$24,552 in the general fund for adult education aid and down by \$480 in the debt service fund).
2. Surplus appropriated to fund the budget is \$2,298,801 (was \$2,135,879 for 2008-9). The utilization of surplus over 2% is required by the State per the June 30, 2008 audited excess surplus calculation. Our concern here is that we will not be able to continue to generate the levels of surplus that we 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, which may lead to significant fluctuations in school taxes in the future. It should also be noted that the surplus being utilized equates to approximately 1.6 % of our proposed 2009-10 general fund budget.
3. The DOE budget program will force \$268,705 additional dollars 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 (the State has yet to correct this program error). Since the district is not using any cap waivers for the 2009-10 budget, we are proposing depositing this to capital reserve, as allowed by State Statute, for the purpose of addressing capital needs and emergencies. If this deposit is made, the new capital reserve total would be approximately \$1,552,000.

4. Miscellaneous revenue is being decreased by \$515K from the prior year. This is primarily due to interest rates continuing to plummet. Miscellaneous revenue does include \$8,400 for Corporate Sponsorship.
5. The ratable base in Middletown during 2008 went up approximately .9% from the prior year, or approximately \$43.7 million (prior to revaluation).

What expenses are in the budget:

1. Our debt service budget is substantially the same as the prior year, with no increase in taxes. 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. Note that there are no additional positions being proposed at this time for the 2009-10 school year.
3. The total salary increase of \$3,376,632 or 3.8%, is due to a number of relevant factors including contractual salary increases and anticipated contractual settlement increases. Again note that no additional positions are being proposed at this time for 2009-10.
4. We've budgeted for an increase in employee benefits of \$392,547 or 1.8%. The employee benefits budget is going up only 1.8% due to low health insurance renewals, a more aggressive approach for the estimation of actual claims, lower incurred but not reported (IBNR) reserve requirements (the final step-down to 14% of projected claim costs) and a lower anticipated payment as calculated for PERS pension costs.
5. Transportation has a budgeted increase of only \$85,764 or .9%. This is primarily due to low renewal costs for existing routes and the elimination of 4 previously existing routes which are no longer required (due to no longer having students at specific private schools for the handicapped, or due to students being accommodated on existing routes, etc). No additional routes are being proposed for 2009-10.
6. The out-of-district tuition budgeted has increased by \$147,739 or 4.1%. This is based on anticipated placements for 2009-10 coupled with expected, and/or known increases in tuition rates.
7. Utilities (gas, electric, water/sewer, communications) costs have a budgeted increase of \$222,682, or 5.6%, based primarily on rate increases, netted with an expected reduction in utilization due to district efforts at reducing energy consumption (notably electricity and natural gas).
8. The curriculum budget would remain at the same dollar total as last year, with reallocation between staff development, supplies, textbooks, etc. The category shows a reduction due to the one-time transfer in 2008-9 (in the 2008-9 revised budget column) for pre-school handicapped supplies to cover 2/3 of the cost of pre-school furniture.
9. Capital Lease Principal and Interest has a budgeted decrease of \$1,573 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.
10. The technology budget would be \$10,000, or -1.1% less, than last year, but will provide for much needed technology purchases to support educational initiatives and to address district priorities.

11. The legal budget shows an increase of \$5,000 due to the increase in due process claims. There is no increase in the hourly rate and annual caps for the Board Attorney.
12. The increase in property/casualty/student accident insurance of \$57,964, or 7.5%, 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.
13. The total athletic budget would remain the same as the prior year, but will still cover swimming pool rental costs and the existing \$55,000 district funding for the hockey program (more than 50% of this program will still be funded by parent fundraising).
14. The increase in the administration category of \$17,340 is due primarily to the purchase of district sub-calling software (AESOP). This change has resulted in a net savings to the district with the elimination of the existing 4 teacher sub-caller positions.
15. If you exclude the one-time transfer in 2008-9 of \$450k for the HS North turf remediation, the capital outlay budget would actually be the same as the prior year. For the \$320,000 budgeted, the 2009-10 budget provides \$100,000 for capital related professional services, \$200,000 for construction services and \$20,000 for capital-legal.
16. The category 'various' shows a reduction of \$28,324, or -7.8%, due primarily to the one-time transfer in 2008-9 to pre-school handicapped supplies to cover 1/3 of the cost of pre-school furniture. All special education budget accounts for supplies and equipment would remain the same as the prior year. Additionally, the district budget for Charter Schools has been reduced by \$10,000 (to \$10,000).
17. Regarding the State's new administrative cost limitations, our regional threshold is \$1,719 per pupil. Our district 2009-10 budget as proposed contains administrative costs per pupil of \$1,265 which is \$454 LESS per pupil than we are allowed. To provide the magnitude of this difference, assuming approximately 10,000 students, the district's administrative costs are over \$4.5 million less than would be allowed based on the regional threshold.
18. Regarding cost per pupil per the 2009 Comparative Spending Guide (released in March 2009), the district's comparative cost per pupil is \$12,214 compared to a K-12 State average of \$13,632, or \$1,418 less per pupil. To provide the magnitude of this difference, assuming approximately 10,000 students, the district's expenditures are over \$14 million less than we would be spending if we spent at the State average in terms of cost per pupil.

Thank you and please call if you have questions.

Karen Bilbao & William Doering

Middletown Board of Education
 2009-2010 Final Proposed Budget
 General Fund - Revenues

	Revised Budget (Through 02/1/09) <u>2008-2009</u>	Base Budget 2009-2010	Dollar Difference	Percentage Difference
Local Property Taxes	115,646,345	119,793,275	4,146,930	3.6%
State Aid	21,186,997	21,162,445	(24,552)	-0.1%
Surplus Utilized	2,135,879	2,298,801	162,922	7.6%
Miscellaneous (interest income, etc)	1,585,000	1,070,000	(515,000)	-32.5%
Total	140,554,221	144,324,521	3,770,300	2.7%

Middletown Board of Education
 2009-2010 Final Proposed Budget
 General Fund - Analysis by Major Expenditure Category

	Revised Budget (Through 02/1/09) 2008-2009	Base Budget 2009-2010	Dollar Difference	Percentage Difference
Salaries (administrators, teachers, secretaries, custodians and maintenance paraprofessionals, non-bargaining, substitutes, stipends, etc)	88,369,820	91,746,452	3,376,632	3.8%
Employee Benefits (health, worker's comp, PERS social security- District share, PERS pension- District share)	21,988,165	22,380,712	392,547	1.8%
Transportation (excluding salaries, approximately 340 routes, including jointures)	9,830,283	9,916,047	85,764	0.9%
Utilities/Communications (gas, electric, water, sewer, telephone, internet)	3,947,318	4,170,000	222,682	5.6%
Tuition (private schools for handicapped, vocational, vocational shared-time, etc)	3,630,475	3,778,214	147,739	4.1%
Curriculum, Textbooks, Supplies & Educational Media (excluding salaries)	3,429,668	3,382,550	(47,118)	-1.4%
Capital Lease Principal & Interest (MCIA 1999, Elementary HVAC, Synthetic Turf Field)	2,089,029	2,087,456	(1,573)	-0.1%
Technology (excluding salaries, covers supplies and equipment, includes data processing)	942,500	932,500	(10,000)	-1.1%
Capital Projects (construction services and capital related professional services)	770,000	320,000	(450,000)	-58.4%
Other:				
Non-instructional Equip & Facilities (maintenance equipment, etc)	30,000	30,000	-	0.0%
Legal - board attorney/labor	235,000	240,000	5,000	2.1%
Audit	41,175	42,822	1,647	4.0%
Property/Casualty/Student Accident Insurance	772,845	830,809	57,964	7.5%
Building - Cleaning, Maint, Supplies & Repair (Facilities Department)	1,530,348	1,530,348	-	0.0%
Copiers	306,235	306,235	-	0.0%
Athletics (excluding salaries, includes equipment, includes hockey \$55,000, pool rental \$35,000)	595,450	595,450	-	0.0%
Standardized testing	95,000	95,000	-	0.0%
Health and Contracted Services for Nursing/OT/PT/Speech	1,198,871	1,198,871	-	0.0%
Administration (elections, out-of-district printing				
NJSBA dues, vacancy advertising, service contracts, BOE expenses)	388,020	405,360	17,340	4.5%
Various (several budget lines including supplies and equipment for speech, basic skills and special education, etc)	364,019	335,695	(28,324)	-7.8%
Subtotal other	5,556,963	5,610,590	53,627	1.0%
TOTAL	140,554,221	144,324,521	3,770,300	2.7%

Middletown Board of Education
 Schedule of Tax Impact (Post-Revaluation)
 2009-10 Proposed Budget

Prior year school tax rate, converted based on revaluation, would be \$ 1.057
 New school tax rate, based on the 2009-10 proposed budget, would be \$ 1.084
 Increase \$ 0.027 (2.7 cents)

Assessed Valuation (post-revaluation):		Current		Total		Total: Proposed		Total Increase		Total Increase	
		School Tax		Increase		School Tax		Per Month		Percentage	
300,000	Taxes =	\$3,171	\$81	\$3,252	\$6.75						2.6%
400,000	Taxes =	\$4,228	\$108	\$4,336	\$9.00						2.6%
*	435,000	\$4,598	\$117	\$4,715	\$9.79						2.6%
500,000	Taxes =	\$5,285	\$135	\$5,420	\$11.25						2.6%
600,000	Taxes =	\$6,342	\$162	\$6,504	\$13.50						2.6%

* Per the Middletown Tax Assessor, the new average assessment is \$433,900, so we will use \$435,000 in providing an example
 Note: increase columns are based on averages. Actual increases will vary based on whether an assessment increased more
 or less than the average throughout the Township