



Mountain Lakes Board of Education

2018-2019 Budget

Good morning and welcome to the first presentation of the ML BOE 2018-2019 budget. Thank you for joining us this morning/tonight.

My name is John Kaplan and I am chairman of the Board's Finance Committee.

[I would first like to thank the LWV and the H&SA for hosting us this morning, and in particular, Mary Joelsson from the League and Erin Tucker, from H&SA for coordinating all the arrangements.]

Joining me today are Superintendent Dr. Anne Mucci, Business Administrator and Board Secretary Dan Borgo, Supervisor of Building and Grounds Mark Prusina and fellow Board members.....

The second and final presentation of the budget as well as the Board vote will occur during the BOE's regularly scheduled meeting on Monday, April 30.

At the end of today's presentation, we will have a Q&A session.

Copies of the presentation are available at the back of the room and will also be available on-line.

Mountain Lakes School District Budget Goals

- We are committed to providing the resources that allow us to build upon the successful educational partnership that exists among our students, staff, families, community and administration.
- We provide a dynamic and continuously evolving curriculum with a focus on rigorous academic preparation, developing personal resiliency and promoting life-long learning skills for all learners.
- MLHS graduates earn admission to the most competitive colleges, universities and military academies around the world. Achieving our goals enables each student to actualize his or her unique potential.

2

As the District Administration and the Board prepared the budget, we did so with these goals and results in mind...

- We are committed to providing the resources that allow us to build upon the successful educational partnership that exists among our students, staff, families and the community.
- We provide a dynamic and continuously evolving curriculum with a focus on rigorous academic preparation, developing personal resiliency and promoting life-long learning skills for all learners.
- MLHS graduates earn admission to the most competitive colleges, universities and military academies around the world. Achieving our goals enables each student to actualize his or her unique potential.

Objectives

- Discuss Proposed 2018-2019 Budget
 - ☞ Expense reductions to support student achievement and district curriculum goals:
 - Salary increases from the current MLEA contract continue to be offset by changes in teaching staff composition (retirements) and other savings from the contract
 - By changing our healthcare benefits provider to Cigna from Horizon as of 1/1/18, we reduced our annual premium increase by \$360,000, from \$760,000 to \$400,000. Had we stayed with Horizon, our premiums would have increased by 19%, while Cigna agreed to a 10% increase.
 - Changes in long-term substitute teacher compensation structure
 - ☞ Maintain buildings and grounds in support of district goals and increase capital outlay by 60%
 - ☞ Maintain manageable tax increase to provide a thorough and efficient education
 - Budgets for the past 8 years included tax levy increases at an average of 1.66%
 - ☞ Maximize alternate revenue sources
 - Before and after-care program at Wildwood continues to be well-received and well-attended, estimated revenue \$200,000
 - Biotech Academy, estimated revenue \$254,800
- Engage in a Community Dialogue

3

Today's objectives are to discuss the proposed 2018-19 budget in detail and to continue our engagement in a community dialogue.

Please note, unless otherwise stated, the budget items I will be discussing, relate to Wildwood, Briarcliff and the high school only.

In the state legislated 2% budget cap environment in which we operate, the administration and the Board remain highly focused on the need to manage our operating expenses, and to seek creative solutions to reduce expenses as well as increase revenues, while ensuring we can achieve our objective of supporting student achievement and the district's curriculum goals. As we prepared this year's budget, we were also mindful of the impending costs of the referendum. To that end:

- Salary increases from the existing MLEA contract continue to be offset by changes in the demographics of the teaching staff stemming from retirements 13 at the end of this year, as well as the flat level of compensation (\$16,500) for 6th period assignments vs. a percentage of salary (20%).
- We were at risk of a 19% increase or \$760,000 in healthcare costs for the calendar year had we maintained BCBS of NJ as our provider. After seeking proposals from other providers, we elected to change our coverage to Cigna who agreed to only a 10% increase or \$400,000 for the calendar year which saved the district \$360,000.
- We also continue to realize savings from changes in our long-term substitute teacher compensation.

Maintenance of our buildings and grounds is always a key objective but we have not made any significant investments at WW, BC or the high school beyond the scope of our annual capital expenditure program since 2003, the last referendum. This of course was the driver behind our current referendum.

Objectives (cont'd)

- Discuss Proposed 2018-2019 Budget
 - ☞ Expense reductions to support student achievement and district curriculum goals:
 - Salary increases from the current MLEA contract continue to be offset by changes in teaching staff composition (retirements) and other savings from the contract
 - By changing our healthcare benefits provider to Cigna from Horizon as of 1/1/18, we reduced our annual premium increase by \$360,000, from \$760,000 to \$400,000. Had we stayed with Horizon, our premiums would have increased by 19%, while Cigna agreed to a 10% increase.
 - Changes in long-term substitute teacher compensation structure
 - ☞ Maintain buildings and grounds in support of district goals and increase capital outlay by 60%
 - ☞ Maintain manageable tax increase to provide a thorough and efficient education
 - Budgets for the past 8 years included tax levy increases at an average of 1.66%
 - ☞ Maximize alternate revenue sources
 - Before and after-care program at Wildwood continues to be well-received and well-attended, estimated revenue \$200,000
 - Biotech Academy, estimated revenue \$254,800
- Engage in a Community Dialogue

3

Objectives – Continued

Separate from the referendum, there are a number of scheduled maintenance items and repairs that will be addressed as well as safety & security additions and furniture replacement.

We are sensitive for the need to find a balance between maintaining a manageable tax increase on the community and providing a thorough and efficient education for our students, especially in light of the referendum. Thus our continual efforts to find expense savings as well as alternative revenue sources.

- Of note, for the last 8 years, our tax levy increases have averaged 1.66%. While the average remains below the 2% cap, it has been increasing.

As we look forward, we will also continue to search for sensible ways to increase our revenue sources to help offset growing expenditures.

- The before and after-school care programs at Wildwood continues to be very well-received and well-attended, estimated revenue for 2018-19 is \$200,000.
- For the Biotech Academy we will be welcoming our second cohort of students next fall with estimated revenues of \$254,800. Dr. Mucci and I will be discussing the Biotech Academy in more detail later in the presentation.
- The Summer Academy generates ~\$30,000 to \$35,000.

Importantly, we seek to continue to engage in a community dialogue, whether it be at a forum such as this, Dr. Mucci's brown bag lunches and coffees, Board meetings or other venues.

Proposed 2018-19 Budget⁽¹⁾

	2017-2018	2018-2019	\$ (+/-)	% (+/-)
General Fund				
Current Expenses	\$26,639,929	\$27,305,395	\$665,466	2.50%
Capital Outlay	\$248,298	\$398,298	\$150,000	60.00%
Subtotal	\$26,888,227	\$27,703,693	\$815,466	3.03%
Fed/State programs	\$288,000	\$244,800	(\$43,200)	(15.00%)
Debt Service	\$1,137,825	\$1,148,125	\$10,300	0.90%
Total	\$28,314,052	\$29,096,618	\$782,566	2.76%

(1) For Wildwood School, Briarcliff Middle School, and Mountain Lakes High School

4

The overall budget is up 2.76% or \$783,000 from a year ago to \$29.1 million which compares to a 1.89% increase or \$525,000 last year.

Current expenses are up 2.5% or \$665,000 yoy to \$27.3 million which compares to a 2.1% increase or \$547,000 last year.

- Expenses have been contained despite the 10% increase in healthcare costs for the calendar year or 8.5% for the budget year. The increase in healthcare costs for the budget year equates to \$336,000 and represents half of the \$665,000 increase in current expenses.

Capital outlay is up 60% or \$150,000 yoy to \$398,000. The increase reflects \$100,000 of scheduled repairs and maintenance as well as safety and security additions and furniture replacement. Going forward, technology leases will be included in capital outlay versus current expenses to conform with best practices. For 2018-19, this amount totals \$50,000. Capital expenditures will be discussed in more detail later in the presentation.

Fed/State Program expenses are down \$43,000 from a year ago. These expenses are associated with special education services (tuition and Title IIA – special education in-service for teachers) and match dollar for dollar with other state aid on the revenue side.

Debt Service (before state aid) is up slightly, \$10,000 to \$1.148 million.

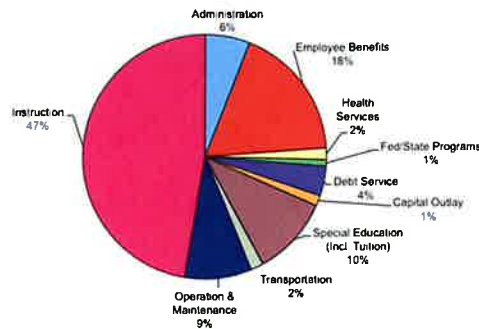
2018-19 Budget Analysis

Current Expenses: \$29,096,618

2018-19 vs. 2017-18⁽¹⁾:

- Special Ed (Incl. Tuition) – up 22.3%
- Instruction – down 2.8%
- Employee Benefits – up 6.4%
- Capital Outlay – up 60%
- Operation & Maintenance – up 4.7%

- Maintains budget goals
- Maintains class sizes:
 - K-3 - 17
 - 4-5 - 19
 - 6-8 - 20
 - 9-12 - 24 (core academic content)



(1) Percentage change from 2017-2018

Questions: Contact Daniel A. Borgo; dborgo@mlschools.org; 973-334-8280

5

The pie chart breaks down current expenses into board categories.

Not surprisingly, 71% or \$20.7 mm of total expenditures represent the cost of:

- Instruction – Salaries, supplies/textbooks, extra/co-curricular activities and athletics
- Employee Benefits – Medical, dental, workman’s comp, soc. sec.
- Administration – Superintendent, BA, principals, directors & district staff salaries; legal and other professional service expenses; legal settlements; BOE supplies & internet

The breakdown of 2018-19 current expenses as a percent of total expense is substantially the same as last year. In terms of yoy changes:

- Special Ed (inc. Tuition) is up 22% or \$556,000 (\$3,054,027) although ~\$430,000 of this increase reflects a reclassification of expenditures from Instruction to more accurately reflect where the expense is incurred. Resource room and CST expenses.
- Instruction is down 2.8% or \$391,000 (\$13,774,272) and reflects the reclassification of expenses to Special Ed
- Employee benefits are up 6.4% or \$314,000 (\$5,216,027)
- Capital Outlay is up 60% or \$150,000 (\$398,000)
- Operation and Maintenance is up 4.7% or \$117,000 (\$2,587,883)

As indicated earlier, the budget as presented will allow us to maintain the districts core mission and programs.

This budget will also allow us to preserve average class sizes as noted in the table. In grades 9-12, core classes represent: English, Math, Science, Social Studies and World Language.

Capital Projects: \$398,298

High School: \$57,000.00

Floor Covering \$18,000.00
Furniture/Cabinet Replacement & Upgrade \$28,500.00
Heat System Repairs \$10,500.00

Briarcliff School: \$44,000.00

Alertus System \$14,000.00
Air Condition, Phase II \$30,000

Wildwood School: \$51,000.00

Replacement of Cabinets \$12,000.00
Repair/Replacement Unit Ventilation \$13,000.00
Alertus System \$14,000.00
Gym Floor Repairs \$12,000.00

Lake Drive School: \$54,000.00

Exterior Trim \$31,000.00
Floor Covering \$13,500.00
Temperature Controls \$9,500.00

District: \$192,298

School Bus Replacement \$88,000.00
Grand Stands (ramp) \$26,000.00
Tech Lease Purchase \$50,000.00
State SDA Assessment \$48,298.00

6

Our budget for capital projects has increased by \$150,000 from last year to \$398,298 or \$350,000 net of the State Debt Assessment.

As noted earlier, the increase was necessary to address certain repairs and maintenance as well some safety and security additions and furniture replacement. We are also now including technology leases in capital outlay versus current expenses.

Next year's projects include:

- At the HS – Replacement of floor coverings, furniture/cabinet upgrades and heat system repairs.
- At BC and WW – We will be adding Alertus Systems to the auditorium and cafeterias as well as other more remote locations including outdoors areas. The system serves as a message board for emergencies. Installations can be relocated if impacted by referendum construction.
- Also at BC – Phase II of A/C installation for classrooms in the original building.
- Also at WW – Replacement of cabinets, repair/replacement of heating unit ventilators as needed and gym floor repairs.
- At Lake Drive – Exterior trim, floor covering repairs and temperature control replacement as needed
- For the District – Required replacement of our school bus with a 24 vs. 16 passengers vehicle to allow for great usage, repair of the home-side grand stand ADA ramp and technology leases.

Mark Prusina would you care to add any additional comments?

	Current Budget 2017-2018	Tentative Budget 2018-2019	Change 2018-2019
Balances Appropriated + Reserves	\$700,000	\$549,171	(\$150,829)
Capital Reserve	\$200,000	\$300,000	\$100,000
Boonton Twp Tuition (266 @ \$16,291 vs 266 @ \$16,617)	\$4,333,408	\$4,420,122	\$86,714
Tuition (Non-res. = 16 - 9 HS, 4 BC, 3 WW; Faculty = 34)	\$243,700	\$262,500	\$18,800
Academy for Biotech (35 students) \$7,280	\$116,025	\$254,800	\$138,775
State Aid	\$787,376	\$837,405	\$50,029
Other Aid	\$288,000	\$244,800	(\$43,200)
Debt Service	\$114,197	\$99,741	(\$15,276)
Miscellaneous	\$187,229	\$207,229	\$20,000
Sub Total	\$6,969,935	\$7,175,768	\$205,013
Local Taxes	\$21,344,117	\$21,920,850	\$576,733
TOTAL REVENUE	\$28,314,052	\$29,096,618	\$782,566

Revenues Sources – 2 Year Period

Revenue Sources – 2 Yr. Period

Revenues before Local Taxes are budgeted to be up \$205,000 versus a year ago.

Revenue increases include:

- Biotech Academy tuition which is up \$139,000 to \$255,000, from \$116,000 a year ago reflecting the addition of the Academy's second cohort of students.
- Boonton Twp tuition is up \$87,000 vs. a \$133,000 increase a year ago. The increase reflects the contractual change in annual tuition per student and no change in the number of students.
- State Aid is up \$50,000 vs. no change from a year ago.
- Non-resident tuition is up \$19,000 vs. a \$37,000 increase a year ago. The increase reflects tuition increases, one additional non-resident student and 6 new students of faculty spread across grades.
 - Non-resident: HS 9 vs. 11, BC 4 vs. 1 & WW unchanged at 3
 - Faculty: 34 vs. 28

The increase in revenues is offset by a \$50,000 decline in Appropriated Balances net of a \$100,000 increase in the Capital Reserve, as well as a \$43,000 decline in Other Aid, which as noted earlier matches dollar for dollar with the Fed/State Program expenses.

Also, Miscellaneous revenue increased \$20,000 from incremental interest earnings an additional benefit realized by switching our bank to Lakeland from BoA.

[Other Aid includes Special Ed tuition, Special Ed In-service for teachers and other Special Ed aid]

[Misc revenue includes energy and safety grants, Payments from LD to MLBOE for certain costs such as E-Rate, facilities use and interest.]

The reduction in Balances Appropriated is due in part to the increase in the Capital Reserve as well as a few unexpected personnel changes in 2017-2018 (AD and G&T Supervisor).

We are also seeking to reduce and maintain a slightly lower level of Balances Appropriated to minimize the need to carry over the surplus year to year, i.e. apply our tax levy to actual expenditures versus replenishing surplus.

To fund the budget, we will need to increase local taxes by approximately \$577,000 [to \$21,920,850]. This compares to a \$422,000 increase a year ago.

As in years' past, before leaving this slide, I wanted to provide some perspective on Surplus or Balances Appropriated & Reserves.

When we construct the budget, it's done 6 to 10 months in advance of actual expenditures, and every dollar is accounted for in our proposed budgets. The challenge is that there are a host of unknowns that could reduce actual expenditures in any given year.

Revenue Sources – 2 Yr. Period (cont'd)

Examples include:

- Health benefit contributions
- Health benefit premiums
- Retirements that occur after the budget is prepared
- Paraprofessionals leaving the district which save us health benefits
- Energy costs in a milder winter
- Number of athletic trips based on the success of our teams
- Fewer maternity leaves than anticipated
- Fewer level changes for teachers moving across the salary guide
- Less snow, reducing OT for snow removal
- Teachers taking fewer sick days reducing the cost of substitutes
- No long term illness for teachers
- No major maintenance repairs;
- To name a few....

Of course any of these factors could also increase our expenditures and reduce the surplus.

On the revenue side, there are also factors which can add to surplus. Items such as extraordinary aid, excess tuition revenue, E Rate Grants, and Safety and Energy Grants.

A combination of these factors is how surplus is generated, and surplus provides us cushion to the extent that we incur unexpected expenditures.

The unexpended surplus at the end of the fiscal year contributes to three future revenue line items:

1. The 2018-19 surplus,
2. Replenishment of the capital reserve in the 2018-19 budget, and
3. Tax relief for the 2019-20 budget, i.e. balances appropriated.

And, all of these items reduce the tax levy in a given year.

Moving on....

Tax Impact for Mountain Lakes Homeowner

	2017-2018	2018-2019	Impact	% (+/-)
General Fund	\$20,320,489 ⁽¹⁾	\$20,872,466	\$551,977	2.72% ⁽¹⁾
Debt Service ⁽²⁾	\$1,023,628	\$1,048,384	\$24,756	2.42%
Total	\$21,344,117	\$21,920,850	\$576,733	2.70%

- Tax increase of approximately \$343 on the average home assessed at \$783,584
 - Tax levy attributable to Schools represents ~68% of Homeowners' local taxes, with balance going to Borough, County, and Open Space
 - Refinancing of Serial Bonds in 5/2015 will reduce annual debt service by \$30 - \$35K per year through 2023
- (1) Tax levy cap including adjustment by NJDOE for increases in healthcare costs is \$20,978,901 or a 3.24% increase
(2) Includes debt service aid of \$98,921 and \$99,741 respectively for 2017-18 and 2018-19

8

The general fund tax levy will increase \$552,000 or 2.72% to \$20,872,000. This compares to an increase of \$510,000 or 2.58% a year ago. The amount in excess of the state tax levy cap of 2% reflects a cap adjustment allowed by the state due to state-wide increases in healthcare costs.

In fact, the NJDOE granted us a cap adjustment of an incremental 1.24% above the normal 2% tax levy cap. This adjustment would have allowed us to increase the tax levy by 3.24% or \$648,412 (\$106,000 more than the actual increase).

In keeping with our objective of finding a balance between maintaining a manageable tax increase on the community and providing a thorough and efficient education for our students, as well as anticipating the potential referendum costs, we did not use the entire incremental adjustment.

Our debt service tax levy will increase \$25,000 or 2.4% to \$1,048,000 net of state aid vs. an \$89,000 decline a year ago. This increase is the result of:

- A \$10,000 increase in debt service expense,
- The roll-off of the \$15,000 debt service surplus realized in 2017/18 resulting from our 2016 bond refinancing, and
- Essentially, no change in debt service aid vs. an increase of \$53K last year.

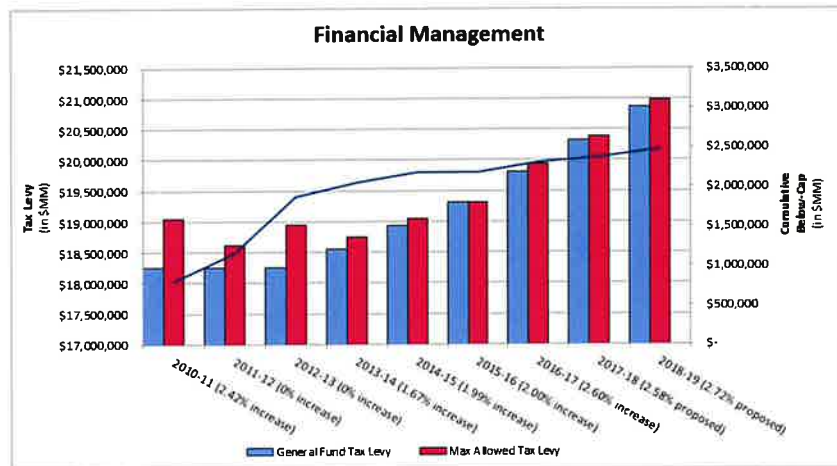
The total tax levy will increase is up 2.7% or ~\$577,000 to \$21,921,000 which compares to a 2.01% increase or \$422,000 last year.

It is worth noting that \$135,000 of the \$155,000 incremental year-over-year increase is due to higher healthcare costs, i.e. healthcare costs increased \$335,000 in '18/'19 compared to an increase of \$200,000 in '17/'18.

The tax increase on an average home assessed at \$784,000 will be ~\$343, up 2.46% given a slight increase in the borough's estimated total taxable valuation.

The tax levy attributable to the school district is approximately 68% of a homeowners local taxes with the balance going to the Borough, County and Open Space.

Financial Management



Appropriations from 2010-11 through 2018-19 were \$2.5M below allowable cap

9

As you look at this chart, you should take note of the following trends:

- Starting 5 years ago in 2013-14, there has been a steady increase in the general fund tax levy (blue bar / left scale) as rising instructional costs and employee benefits in particular have put upward pressure on tax increases.
- Prior to FY 2013-14, we were able to maintain the General Fund tax levy below the Maximum Allowed Tax Levy (red bar / left scale).
- The black line and right scale, illustrates the cumulative difference between the general fund tax levy and the maximum allowable cap for the 9 fiscal years in the chart.
- The flattening trend line highlights the fact that the tax levies (blue bars) in recent years have been much closer to the maximum allowable cap (red bars); nevertheless, over nine years, we have kept appropriations \$2.5 million below the allowable cap.

The administration and the Board have had success implementing cost cutting measures to offset some of the increases in other expenses. Examples include, ESIP energy savings, changes in healthcare eligibility, creation of appealing lower cost HC plans, secretarial rebalancing, shared services with the borough, outsourcing, etc.

We have also found ways to generate incremental revenues such as the Biotech Academy and the WW before and after school care program moving in-district.

Operating the schools as economically efficient as possible as well as finding alternatives to reduce costs and/or increase revenues without compromising the district's goals and mission remains a priority.

Our \$29.1 Million Budget Is Hard to Find in State and News Reporting

- **\$37.8 million overall 2018-19 school budget**
 - Per state reports and news reporting
 - Including debt service and all forms of federal/state aid
- **\$8.7 million attributable to Lake Drive**
 - Fully charged back to sending districts
 - Absorb some overhead/other expenses (Approx. \$1.0 million)
- **\$29.1 million “Mountain Lakes” 2018-19 budget**
 - **\$28.0 million projected spending**
 - **\$1.1 million debt service (previously approved via referendums)**

10

As some of you are aware, the budget we report to the state includes Lake Drive School. News agencies typically report on **this** budget amount. Consequently, the \$29.1 million budget for WW, BC and the high school is hard to find.

To clarify, the overall 2018-19 school budget for the entire district including Lake Drive School is \$37.8 million. This includes debt service and all forms of federal and state aid. This is also the amount that you will typically see reported.

Of the \$37.8 million overall budget, \$8,725,000 is attributable to Lake Drive. This amount is fully charged back to the sending districts and includes about \$1.0mm of district overhead and other expenses absorbed by Lake Drive.

LD is part of the district and therefore must cover their share of district wide expenses as well as expenses provided by the district for services they require. This includes a portion of the superintendent's and BA's salaries, support staff in the district office, payroll services, etc. The expenses allocated to LD are closely scrutinized internally and by the state.

The balance of \$29.1 million reflects the 2018-19 budget for Wildwood, Briarcliff and the High School.

Academy for Biotechnology 1st Year Program Analysis

- Advisory Council update
- New courses, planned curricular changes
- Student Survey/Focus Group results
- Faculty Survey results
- Overall class size impact
- Co curricular involvement
- Enrollment for 2018-2019:
 - 18 Returning Sophomores (4 Mountain Lakes Residents)
 - 22 New Freshman (5 Mountain Lakes Residents)

11

I will now turn the presentation over to Dr. Mucci for an update on the Biotech Academy

Academy for Biotechnology Budget

Year	# Students OD/ML	Revenue	Expenses	Net Proceeds	Classes for MLHS students
2017-18	15/5	\$147,200 Actual	\$25,000 Start Up Monies \$33,000 (2) 6 th Periods \$45,500 ML Students \$102,600 Total	\$43,700	2
2018-19	30/5	\$264,800 Projected	\$54,031 Salaries (1) Teacher \$15,000 HB \$33,000 (2) 6 th Periods \$45,500 ML Students \$146,631 Total	\$107,269	0
2019-20	45/5	\$364,000 Projected	\$152,000 Salaries (2) Teachers \$30,000 HB (2) Teachers \$49,500 (3) 6 th Periods \$10,000 Supplies \$45,500 ML Students \$287,000 Total	\$77,000	3
2020-21	60/5	\$473,200 Projected	\$190,000 Salaries (2) Teachers \$35,000 HB \$49,500 (3) 6 th Periods \$20,000 Supplies \$45,500 ML Students \$340,000 Total	\$133,200	2

NOTE: Expenses funded by Morris County Vo-Tech include books, lab equipment, classroom outfitting, the first year salary and benefits of the Biotech teacher, ~40% of salary and benefits in year two and ~25% in year three.

(1) Classes available for ML students (non Biotech) taught by Biotech Academy teacher(s)

12

From a budget perspective, the BioTech Academy has and will provide the district with incremental revenues which will help offset rising operating expenses and allow us to expand curriculum.

The enrollment numbers and revenues in the budget reflect growth in the program to 4 ongoing cohorts assuming 15 non-resident students in each cohort. The District's share of the tuition per student is \$7,280. As Dr. Mucci noted, actual enrollment for 2018-19 is expected to be 40 students, 31 non resident and 9 ML across the two cohorts.

Our primary ongoing expenses related to the Academy will be:

- Teaching staff – currently 1 increasing to 2 in 2019-20, when the 3rd cohort arrives.
- Adding two to three 6th periods classes with existing teachers for core curriculum classes to accommodate Academy students and avoid overcrowding class sizes, and
- Tuition for ML students enrolled in the Academy. For ML students, we have a net cost of \$1,820 (\$7,280 less \$9,100).

The net proceeds in the budget represent unrestricted funds for the District. In addition, because the BioTech Academy teachers' schedules will not be completely filled with Academy classes, except in 2018-19, they will teach classes to Mountain Lakes students. The classes taught by Academy teachers to Mountain Lakes students provide savings to the district. Each non-Academy class is economically equivalent to a 6th period class or a savings of \$16,500.

Introducing the Academy for Biotechnology, provides the District with all of the educational benefits that Dr. Mucci noted in addition to an important ongoing revenue stream.

Future Budget Considerations Tax Impact of Referendum

Change in Budget From Prior Year:	2018-19	2019-20	2020-21	2021-22
Budget Before Referendum (1)(2)	\$576,733	\$395,112	\$439,148	\$413,032
Operating Costs from Referendum (1)(3)	-	\$300,000	\$6,000	\$6,120
Referendum Debt Service (4)	-	\$850,178	\$55,138	(\$14,246)
Total Change	\$576,733	\$1,545,290	\$500,286	\$404,906

Change Tax Levy From Prior Year (5)	2018-19	2019-20	2020-21	2021-22
Budget Before Referendum (1)(2)	\$343	\$258	\$287	\$270
Operating Costs from Referendum (1)(3)	NA	\$196	\$4	\$4
Referendum Debt Service (4)	NA	\$555	\$36	(\$9)
Total	\$343	\$1,008	\$326	\$264

- 1) Assumes 2% increase in general fund tax levy after 2018-19
 2) Debt service for current debt, net of state aid. Assumes no change in debt service aid after 2018-19
 3) Incremental operating expenses includes: 2-3 new teachers, technology, custodial services, utilities, and other transition costs
 4) Referendum debt, net of state aid. Assumes 26 year bond at 4.0% with first principal payment made in 2020-21
 5) Assumes no change in tax ratable base after 2018-19. Assumes the average home assessed at \$783,584

13

With bid packages out for the first phase of the referendum projects at WW and BC, and the HS out shortly, we wanted to provide an update on the anticipated tax impact of the referendum looking out over the next several years.

As of mid-April, our updated estimates are consistent with the estimates provided in the referendum calculator we created prior to last November's vote.

This slide highlights the **year-over-year** change in the tax impact of the referendum debt service and incremental operating expenses once the new and renovated facilities come on line. We include the total dollar amount of the impact as well as the tax levy on the average home assessed at \$784,000.

In the upper portion of the table, we breakdown the yoy change in tax impact as follows:

1. Budget Before Referendum reflects the current general fund tax levy plus current debt service with the general fund tax impact growing annually at the 2% cap. **Note** that there are certainly factors such as higher future healthcare costs which could push the percentage change greater than 2%.
2. Referendum Operating Costs assume 2-3 new teachers, technology, custodial services, utilities and other transition costs. These new operating costs also grow at the 2% cap, and
3. Referendum Debt Service which reflects interest and principal payments net of state aid for the new debt

We currently plan to structure the debt so that we will not pay any I or P in the 2018-19 budget year. The first interest payments will be in 2019-20 and the first principal payment will be in 2020-21.

In 2018-19, there is no impact from the referendum. In 2019-20, the Budget Before Referendum tax impact increases \$395,000 from the year prior, and we incur the incremental operating expense of \$300,000 and referendum debt service of \$850,000. The total yoy change in tax impact is \$1,545,000.

Future Budget Considerations Tax Impact of Referendum (cont'd)

Change in Budget From Prior Year:	2018-19	2019-20	2020-21	2021-22
Budget Before Referendum (1)(2)	\$576,733	\$395,112	\$439,148	\$413,032
Operating Costs from Referendum (1)(3)	-	\$300,000	\$6,000	\$6,120
Referendum Debt Service (4)	-	\$850,178	\$55,138	(\$14,246)
Total Change	\$576,733	\$1,545,290	\$500,286	\$404,906

Change Tax Levy From Prior Year (5)	2018-19	2019-20	2020-21	2021-22
Budget Before Referendum (1)(2)	\$343	\$258	\$287	\$270
Operating Costs from Referendum (1)(3)	NA	\$196	\$4	\$4
Referendum Debt Service (4)	NA	\$555	\$36	(\$9)
Total	\$343	\$1,008	\$326	\$264

- 1) Assumes 2% increase in general fund tax levy after 2018-19
- 2) Debt service for current debt, net of state aid. Assumes no change in debt service aid after 2018-19
- 3) Incremental operating expenses includes: 2-3 new teachers, technology, custodial services, utilities, and other transition costs
- 4) Referendum debt, net of state aid. Assumes 26 year bond at 4.0% with first principal payment made in 2020-21
- 5) Assumes no change in tax ratable base after 2018-19. Assumes the average home assessed at \$783,584

13 cont'd

Future Budget Considerations – Tax Impact of Referendum (cont'd)

In lower portion of the table we look at the change in the tax levy on the average home assessed at \$784,000.

In 2018-19, there is no impact from the referendum and the tax levy change is ~\$343. The amount discussed earlier in the presentation.

In 2019-20, the tax levy change on an average home breaks down as follows:

- Budget Before Referendum tax increase - \$258.
- Operating Costs from Referendum tax increase - \$196.
- Referendum Debt Service - \$555.
- The total change in tax levy on an average home equals \$1,008, \$751 of which is referendum related.

Looking out beyond 2019-20, the yoy changes in the tax levy related to the referendum start to level off and then will begin to come down as the annual referendum debt service starts to decline due to principal amortization (principal pay down).

Importantly, this decline could be offset if general fund operating expenses increase more than the 2% cap.

Additional Future Budget Considerations

- Long-term capital expenditure plan independent of the referendum.
- Continued increases in healthcare costs.
- Mountain Lakes Education Association contract renewal, July 1, 2018.
- Ongoing efforts to find alternative revenue sources and/or operating expense savings.

14

As we look ahead to future budgets, in addition to the referendum, there are a number of other considerations we are mindful of.

1. Our long term capital expenditure plans independent of the referendum include: relocation of the board office as the borough looks to expand its space in borough hall, replacement of the turf field, normal course replacement of HVAC systems, general buildings & grounds repairs, etc.
2. Double digit increases in healthcare costs seem to be becoming the norm. That said, we are continually looking for ways to mitigate the rising costs by making plan adjustments and creating incentives for our staff to shift plans to help contain costs.
3. The MLEA contract expires on 7/1/2018 and we are in the midst of negotiations on the new contract.

The Board and the Administration are acutely aware of the costs to operate, maintain and enhance our schools, and the impact that these costs have on the community.

We are focused on finding creative solutions to contain and reduce costs, as well as explore opportunities to generate additional revenues, to ensure that we are providing the resources which will allow us to build upon the successful educational partnership that exists among the students, staff, families, and community.

Thank you again for joining us today. I would now like to open the floor to questions.