

BT Connect
October 3, 2022

Bernards Township School District
District

Planning for the Future



Goals

- Provide a high level overview of issues that impact our district's finances including:
 - State and Local Revenue Sources
 - Recent history of district debt
 - Understanding the basics of reserved funds
- Explain considerations for long term planning
- Collect input through community discussion

State Aid



- Based on the funding formula established by the NJ School Funding Act of 2008, **districts with more financial need get more aid while districts like Bernards rely largely on local taxes.**
- The last four years we received our full state aid but **from 2009-2010 (when our aid was frozen mid-year) until 2018-2019, the state did not fully fund the formula.**
- During those years **Bernards schools lost an estimated \$18 Million+ of anticipated state aid.**

Extraordinary Aid



- Separate from that formula aid, the state provides **extraordinary aid for special education** for each child whose individual eligible costs exceed \$40,000 (in a public school) or \$55,000 (in a private school out of district placement). The aid is provided only for a portion of the eligible costs in excess of these thresholds. From 2010-2019 extraordinary aid was only funded at around 60% of eligible costs, although the past two years the district got 84% and 90% of what it qualified for. The taxpayers of Bernards Township fund the balance of the eligible costs that are unfunded by extraordinary aid. For 2021-2022, the district had 190 students who were eligible for extraordinary aid.
- **7.8%** of Bernards Township School District's 2022-23 budget is funded by state aid and anticipated extraordinary aid. This means the taxpayers of Bernards Township fund all the rest.

2% Cap



- State Aid for the 2010-2011 budget was reduced by nearly \$3 million compared to the prior year's budget. Ultimately the 2010-11 budget was voted down, resulting in an additional \$800,000 cut to that year's operating budget.
- Deep cuts were made to the budget in 2010-11: 14 electives courses and numerous honors courses were eliminated at Ridge, elementary world language was eliminated, the Gifted and & Talented programs were eliminated, we had to have huge class sizes, we were forced to negotiate low raises in the BTEA and BTAA contracts, facilities and maintenance projects, like the athletic field drainage project, were put on the back burner.
- In 2011 the annual budget vote (beginning with the 2011-2012 school budget) was eliminated when the 2% budget cap law went into effect. The BTSD budget was already lean from prior year cuts so the district was hit hard by the 2% cap because costs like health benefits increase by significantly more than 2% on an annual basis.
- Over the last decade, through responsible financial management the district was able to refinance its debt to spread out the impact more evenly and keep tax increases at or below 2%, this year the tax impact was less than 1%.

Student Population



- Bernards Township School District saw significant growth in student population during the 1990s and 2000's, peaking around 5750 students in the 2013-2014 school year.
- Since that time the district has been declining on average about 100 students per year -- it now has about 4777.
- Bernards Township School District Special Education population has decreased overall; however in some programs, such as the program for students with autism, there is significant growth.
- Student population decline is one primary reason we have been able to get class sizes near or within our guidelines, add back programs and courses cut in 2011, and begin to increase our teacher salaries.




Construction Projects

- **Late 80's-90's--Huge population growth**
- **Construction Projects:**
 - **1994**-- Oak Street wing
 - **1995**-- Oak Street Gym, LCS office/classroom wing
 - **1998** --Built Mount Prospect School and added classroom wing and media center at WAMS
 - **2000** --RHS 500 classroom wing
- **2005-- voters passed a referendum for \$54 million (there was already debt from prior projects)**
 - **2007** --Ridge High School 700 classroom wing (15 Classrooms, Performing Arts Center, New Gymnasium, old auditorium converted to Counseling Offices, 8 Mount Prospect preschool rooms, Oak Street cafeteria, 8 classrooms at WAMS)

NO money has been borrowed for construction projects since 2005

Debt Levy



Local taxes fund the district's debt payments. Since 2012 (via 5 separate refundings) eligible outstanding debt totalling \$74,300,000 was refinanced, this resulted in a debt levy reduction of 11%.

The total tax levy rose by an average 1.82% over the past 11 years.
The average inflation rate for the same period is approximately 2.75%.

It is normal for districts to have long term debt as a result of referendums to build or maintain facilities - just like a family has a mortgage on their home.

<u>District</u>	<u>Outstanding Long term Debt</u>
Millburn	\$56.558 M
Montgomery	\$59.225 M
West Windsor	\$135.075 M plus an additional \$24 M in Capital Leases
Livingston	\$70.09M
Bernards	\$50.79M



Types of Reserves and their Limits

- Emergency Reserve: 1% of general fund up to \$1 million maximum
- Maintenance Reserve: 4% of replacement cost of school facilities
- Capital Reserve: Maximum determined by Long Range Facilities Plan (LRFP)

Reserve accounts are funded by Board resolution in June.



Current District Reserve Funding for Year Ending 6-30-22*

- Emergency Reserve: \$910,999
- Maintenance Reserve: \$4,143,584
- Capital Reserve: \$8,388,962

*Above figures not yet audited. The audit for the 2021-2022 school year will be completed this winter.

Long Range Facilities Plan



- 2019--the BOE reexamined the long range facilities plan--at that time we had \$8.2 million of projects left to do (excluding the RHS Cafeteria, which was included at that time)
- 2019--a demographers report showed enrollment projections to be declining a bit more rapidly, the BOE had a discussion about whether expansion and possibly a new cafeteria were necessary for RDS (Rotating Drop Schedule) at Ridge. Ultimately it was determined that the declining population made it possible to try the RDS without cafeteria changes. The decision was made to focus on updating and replacing outdated kitchen equipment and to add other food service stations within the building to support RDS.

Strategic Plan and BT Connect

- 2018-2019 Bernards Township School District engaged in a Strategic Planning Process with the NJSBA
- 2019 - BT Connect meetings are developed as an action item coming out of the Strategic Plan
- Spring 2019 Pandemic hits causing BT Connect and the long range capital projects plan/discussion to be paused while the emergent issues of the pandemic were addressed.
- The pandemic was not the time to reduce staffing or administration - in fact we added many teachers for virtual K-5 classes and had many other staff working additional hours to meet student needs.
- 2021-present-a conscious decision was made to invest in reopening schools successfully, keeping classes smaller, helping kids get caught up, focusing on Social Emotional Learning, Wellness and Professional Development.

Where Are We Now?

Capital, maintenance, and emergency reserves are properly funded. District is AAA bond rated, has excellent audit reports and NJQSAC Finance scores

Covid relief money helped with pandemic related expenses, supports and extra instruction for students and is currently budgeted to help with continuing needs this year and HVAC projects for the summer.

Completing a new long range capital plan is a district goal for this year, outstanding projects and emergent needs must be reprioritized. As examples our Roof Top Units are undergoing an inventory and work is being considered for Ridge athletic facilities.

Demographic forecasting needs to be updated as we consider staffing implications in light of anticipated declining enrollment. A housing analysis to consider the impact of home turn-over is being considered as part of the demographic report.

Challenges we need to plan for include: ESSER funds are non-recurring, enrollment declines ultimately impact aid calculations and strain the ability to maintain specialized programs and electives, labor market challenges, inflation, reliability of state aid levels, difficulty in securing contracts for transportation and other services, problems in contracting for projects under the current supply chain and labor conditions.



Discussion Groups

Balancing Needs with Saving for the Future

Priorities to consider within the General Operating Budget (recurring expenditures)

- Tax relief
- Class sizes
- Programming--academic and extra-curriculars
- Teacher salaries and benefits
- School security personnel
- Mental health and wellness-programming and counselors
- Professional development and instructional coaching
- Other priorities?

Priorities for Capital Projects and Maintenance (one time expenditures)

- HVAC
- Cafeteria equipment replacements/upgrades
- Mechanical equipment
- Remaining projects from 2019 list
- School security projects
- Athletic fields and drainage
- Parking lots, fencing, walkways
- Wish list?