

BOARD OF EDUCATION
The School District of South Orange and Maplewood
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Memorandum

To: Members of the Board of Education
Members of the Board of School Estimate
Dr. John Ramos, Superintendent
From: Paul Roth, Business Administrator
SUBJECT: 2017-2018 Budget Data

June and August of 2016, administrators and supervisors were notified that the district will be implementing a “Zero Based” budgeting process. The Zero-based budgeting process requires administrators and supervisors to identify how limited resources will be used through a systematic review. “Zero Based” budgeting starts with a clean slate. Budget requests are simply not based upon prior year spending. The process starts with current student enrollment and an evaluation of each student’s individual needs such as the requirement for a paraprofessional, medical aide, transportation, intervention, additional in class support, etc. The enrollment and needs assessment drives course and service offerings. Enrollment and offerings in turn drive staffing requirements, tuition, transportation services, supplies, etc. Finally other operating requirements such as energy, utilities, employee benefits, and maintenance are calculated. The result is a budget that is responsive to projected student needs regardless of prior year spending habits.

The budget is a planning document requiring thoughtful review of educational programs, analysis of a variety of data, and the involvement of many stakeholders. The following information provides baseline information for the development of the 2017-2018 budget.

Student Enrollment

Student Enrollment is one of the most important data elements used during the budget development Process. Student enrollment projections are used to determine staffing levels, facility space requirements, equipment, textbooks, supplies and materials. Additionally, The New Jersey Department of Education considers district enrollment in the state aid formula, uses enrollment to determine allowable spending adjustments and uses the cost per pupil for comparative purposes among districts.

Every year the district’s student enrollment as of October 15th is required to be collected and reported through the Application of State School Aid (ASSA). The ASSA is the data collection used to gather the resident and nonresident pupil counts required to calculate a school district’s state aid entitlement. In order for a pupil to generate state aid, the pupil must be enrolled on October 15 in a program that will meet for at least 180 days during the school year. A district is

required to report the number of pupils enrolled full-time or shared-time in each school by grade or special education category. In addition, a district must also report the number of pupils that are sent and received and the number of pupils enrolled as follows:

- LEP pupils
- Low income pupils (pupils eligible for free meals/free milk or reduced meals)
- Shared-time county vocational school district pupils
- County special services school district pupils
- Regional day school pupils
- Pupils in certain State-operated programs
- Accredited adult high school pupils
- Pupils in approved private schools for the disabled

A summary of the district's enrollment as of 10/15/2016 are included in the attachments called "2017-2018_FINAL_ASSA_SUMMARY", "2017-2018_ONROLL_REPORT" and "Oct152016 Enrollment Summary".

Enrollment Projections

The October 15, 2017 enrollment data shows student enrollment across the district (at the elementary schools, middle schools and high school increased) increased by 1.3%. During the last 5 years the district's student enrollment has grown by an average of 1.3%. Overall student enrollment has increased by 6.8% (445 students) since 2011. Note that the enrollment projections show elementary school enrollment decreasing by 56 students; however, **kindergarten enrollment has exceeded kindergarten projections for the last four years in a row and prior year enrollments offer no evidence of kindergarten enrollment stabilizing.**

The district needs to consider adding staff to keep pace with the demand of increasing student enrollment. Class sizes pushing up or exceeding class size policy is evidence of this. Additionally, the continuous increase in student enrollment is creating increasing demands for space; and therefore, raises questions regarding facility space requirements and questions regarding the need for redistricting at the elementary and middle school levels.

Every year a demographer services are acquired to update district level and building level enrollment projections for future planning. The table below summarizes enrollment from 10/15/2011 through 10/15/2016 and provides enrollment projections for the 2017-2018 school year. A copy of the demographers report is included in the attachment called "2016-17 Demographic Report".

Year	K-5 Enrollment	% Change	6-8 Enrollment	% Change	9-12 Enrollment	% Change	Total Enrollment	% Change
2011-12	3148		1414		1844		6514	
2012-13	3216	2.2%	1438	1.7%	1834	-0.5%	6609	1.5%
2013-14	3238	0.7%	1557	8.3%	1825	-0.5%	6751	2.1%
2014-15	3252	0.4%	1587	1.9%	1892	3.7%	6858	1.6%
2015-16	3320	2.1%	1560	-1.7%	1872	-1.1%	6872	0.2%

2016-17	3325	0.2%	1562	0.1%	1917	2.4%	6959	1.3%
*2017-18	3269	-1.7%	1575	0.8%	1989	3.8%	6968	0.1%

Year	Total Enrollment	% Change	Free and Reduced	% Free & Reduced	Spec Services	% Special Services	LEP	% LEP
2011-12	6514		1262	19.4%	813	12.5%	85	1.3%
2012-13	6609	1.5%	1325	20.0%	791	12.0%	90	1.4%
2013-14	6751	2.1%	1363	20.2%	793	11.7%	97	1.4%
2014-15	6858	1.6%	1398	20.4%	799	11.7%	81	1.2%
2015-16	6872	0.2%	1332	19.4%	801	11.7%	69	1.0%
2016-17	6959	1.3%	1273	18.3%	849	12.2%	60	0.9%

Low-income (at-risk) Students

The eligible number of low-income students is used by NJDOE to determine whether the district qualifies for additional state aid. The number of low-income students is also used to determine qualification for federal Title I funding and the requirement to provide a breakfast program. The number of eligible students in 2016 (1,273) is a decrease of 59 students from 2015 and represents about 18% of the total student population. Historically the percentage of eligible students has been about 19% of the student population; however, the percentage of free and reduced lunch students at Seth Boyden Elementary School, continues to increase and exceeds 40% of Seth Boyden's total enrollment.

Special Services

The district is required by law to provide services for students with special needs. Students with special needs may require services that are pushed into the regular education classroom environment, receive services in a specific setting, or attend another school to receive services. The placement and services received are determined by each student's specific needs. The percent of the student population attending school in district has remained at 12% for the last five years. While the percentage of the special services population remained constant, the number of special services students has increased as overall enrollment increased.

Limited English Proficiency

The data shows that students with limited English proficiency (LEP) comprise about 1% of our total student population. The percent of students requiring services has remained at about 1% for the last five years.

Transportation

The cost of transporting resident students within the district and to out-of-district schools currently costs about 5,000,000. The number of students transported as of October 15 is reported to NJDOE in the annual District Report of Transported Resident Students (DRTRS). The New Jersey Department of Education considers the number of transported students in the state aid formula and per pupil cost analyses used for comparative purposes among districts. An efficiency analysis is also performed by NJDOE to determine that buses are fully loaded. The state standard for efficiency is 120%. The district's rating in 2015-16 was 1.02, below the state

standard, mainly as a result of the courtesy busing that we offer as bus seats filled with courtesy students are considered empty.

The district transports about 2,000 students each day, half which are transported to district schools due to policies regarding the Marshall-Jefferson school pairing, Seth Boyden Demonstration School and hazardous walking routes. Approximately 250 students are transported to out of district schools and the remaining students are transported to non-public schools (or paid aid in lieu of transportation).

The 2016 DRTRS report is included in the attachment called “DRTRS 2016”.

Salaries and Benefits

Salaries and benefits comprise the largest expenditure of the school budget. The budgeted count of district employees for the 2016-17 school year was 745 full-time equivalent certificated and non-certificated staff members. The agreements between the Board of Education, South Orange & Maplewood Education Association (SOMEA), and Association of Supervisors, Coordinators and Administrators (ASCA) expire on June 30, 2017.

Benefits for all groups include group insurance, social security, unemployment compensation, workmen’s compensation, health benefits, tuition reimbursement, and retiree unused sick-day reimbursement. All employees are required to make contributions towards their health benefits based on statute. Employees are required to contribute a percentage of the premium expense for the equivalent of the Direct 15 benefit plan, based on year four of the required statutory tiered percentages, or 1.5% of their salary, whichever is greater. They also must contribute 100% of the difference in premium if they opt for a more expensive plan than Direct 15. The total benefit package is estimated to be approximately 26% of salaries.

Recently the district switched to the State Employees Health Benefits Program (SEHBP) due to a high claims experience rating (130%). The high experience rating resulted in a projected rate increase of 130%. Further analysis of available data suggested that the experience rating would continue into subsequent years and as a result the district’s options were limited. Switching back to SEHBP reduced the impact to approximately a 15% increase.

School Facilities

The aging school facilities require major investments of resources. Funds are budgeted in three categories. Custodial services and routine maintenance are funded in the operating budget and capital improvements are funded primarily by bond proceeds. The NJDOE has established a minimum requirement that 0.2% of building replacement value must be budgeted annually for routine maintenance. The district established a minimum budget of 1% of building value each year due to the age and condition of the buildings. The 2016 Comprehensive Maintenance Plan is included in the attachments called “M-1 - CMP 2016-2017” and “M-1 Comprehensive maintenance 16-17 – projects”.

The 2015-16 Comprehensive Annual Financial Report (audit) and Management Discussion and Analysis (MD&A)

This document presents historical financial information prepared by an independent auditing firm. Mr. Morrison from the auditing firm of Hodulik and Morrison presented the audit findings at the January 4, 2017 re-organization meeting and answered questions from members of the Board. The management report is included in the attachment called “2015-16 Management Report”. A full copy of the audit is posted on the district website and a paper copy for review is available in the board of education building.

General Fund Free Balance Status

The amount of general fund free balance is important to determine if surplus funds are available to supplement revenues and reduce taxes. It is also used to identify the amount available for dealing with contingencies. The Board of Education has established a policy (6840) that it is prudent to maintain a minimum amount equal to 3% of budgeted appropriations for unforeseen circumstances. The NJDOE requires that amounts exceeding 2% are surplus and must be appropriated in the subsequent school budget.

As of June 30, 2016, \$2,389,338 is the amount to be appropriated toward the 2017-18 revenues. This is \$113,444 more than the prior year (\$2,275,894).

Debt Service Status

Debt service expenditures are not included in the 2% tax cap calculation, but do have an impact on the annual burden on taxpayers. The District has traditionally issued bonds every three years to support an ongoing capital plan. The current debt service schedules, however, have resulted in relatively flat tax burdens each year through the 2025-26 school year. Therefore it would be financially prudent to consider the bond sale schedule and weigh the impact of any future increase in tax burden versus the capital needs of the district.

Energy Analysis

An initiative to reduce energy costs and consumptions began during the summer of 2014. The South Orange & Maplewood School District secured the services of CDM Smith (Camp Dresser McKee & Smith) to perform an energy audit for fourteen (14) facilities that were owned and operated by the South Orange & Maplewood School District to develop comprehensive energy conservation and retrofit measures plan. The costs associated with this study qualified for reimbursement through the New Jersey Clean Energy Local Government Energy Audit Program. The report included an evaluation of historical energy usage of the facilities and was successful in identifying opportunities for energy savings measures. Energy consumption data shows the district reduced electrical consumption during the last few years. Currently the district is in the middle of replacing boiler systems in Columbia High School. When this project is completed, it is expected that the district will realize a reduction in annually natural gas consumption. An energy analysis is included in the attachment called “Energy Analysis”.

Montrose Pre-School

The Montrose Pre-School program currently serves 39 district special education students, 1 out of district special education child, and 55 district regular education students. Montrose costs approximately 1.4 million per year and is anticipated to draw in about \$300,000 in revenue by June of 2017. The remaining 1.1 million is subsidized through the school districts operating budget. The minimum estimated cost to send 39 of the districts pre-school children out of district

is about 1.6 million plus the cost of transportation. While the Montrose pre-school program is not self-sustaining, the program is saving the district about \$500,000 per year. An analysis is included in the attached report "Montrose Analysis".

Facility Usage

Each year the district facilities are used by about 142 various community groups. 37 of the 142 groups are not connected to district or town clubs or activities. Service fees apply and account for about \$75,000 in revenue annually. The remaining 105 groups are comprised of student clubs and activities (Robotics, Musical, Parnassian, etc.). About 1,100 events are scheduled across district facilities each year with over 500 events occurring in Columbia High School and about 200 occurring in South Orange Middle School. The district is currently negotiating rental fees with the YMCA and it is expected to increase revenue by an additional \$100,000 next year and \$200,000 in the following school year.

Budget Process, Calendar and Priorities

The data provided in this document represent key information required to build the 2017-18 school budget. Budget discussions have been continuing since the past summer beginning with the discussion of "Zero Based" budgeting. District goals, the strategic direction and the access & equity policy provide the priorities for budget development and allocation of scarce resources. The District Goals are included in the attachment "2016-2017 district goals" and the strategic direction is included in the attachment "Strategic Direction".

Because the Strategic Action Plans are being prioritized and analyzed simultaneously with budget development, budget discussions will incorporate public updates to the Strategic Action Plan implementation.

The administration is scheduled to present a preliminary 2017-18 school budget to the Board of Education at a public meeting in March 2017. The Board of Education will hold a public hearing to raise the taxes necessary to fund the budget tentatively scheduled for April 24, 2017.

Additional data needed to perform various analyses and complete reports to aid in the overall budget development process will be provided to the Board of Education and Board of School Estimate. The reports will also be available on-line at www.somds.k12.nj.us.

Please do not hesitate to contact me if you have any questions about the data provided.