

Budget Discussion

January 22, 2020

What do we value?

For Students and Staff

- Providing academic opportunities for all students
- Providing extra and co-curricular opportunities for all students
- Developing the whole child with socio-emotional supports
- Supporting and developing staff for excellence

For the District

- Long-term planning for academics
- Long-term planning for staff
- Long-term planning to address aging facilities
- Better, more consistent messaging to all

Where are we in our budget planning?

- ✔ Administrative review of enrollment projections
- ✔ Administrative review of staffing needs
- ⊗ Administrative budget reviews with all budget managers
- ⊗ Review of capital projects
- ⊗ Tax apportionment received for the three towns we serve
- ⊗ State aid numbers received
- ⊗ Board budget workshop / Drafting of tentative budget

The Budget Timeline

- January
 - Meetings with budget managers
 - Discussion with the Finance and Facilities Committee
 - Initial Board Budget Discussion
- February
 - Board budget retreat
 - Discussions with the Finance and Facilities Committee
 - February 25 - Governor's Budget Message
 - February 27 - Release of State Aid Figures (48 hours after Gov address)
- March
 - March 9- Board Budget Retreat
 - March 16 - Preliminary Budget Adoption
 - March 20 - Preliminary Budget Due to County
- **April**
 - April - Continued Discussion of Budget
 - April - Discussions with the Finance and Facilities Committee
 - April 27 - Public Hearing / Final Adoption

Thoughts to Consider

- When building the 2020-21 budget, we also look at the impact on 2021-22 budget and beyond.
- Incoming enrollment has effectively stabilized. Staff reductions will be made in next year's budget.
- Health benefits remain volatile.
- Minimum wage has increased; we have 150 hourly employees.

Quick Terms (General Accounting Principles GAP)

- **General Fund** - The total amount of money required to pay for current-year programs, staffing and services at next year's prices — i.e., what the next year's budget would be if the current year's budget were simply "rolled over."
- **Tax Levy** - Total sum to be raised by the school district after subtracting out all other revenues including state aid. The tax levy is used to determine the tax rate for property owners in each of the cities, towns or villages that makes up a school district.
- **Debt Service** - The money that is required to cover the repayment of interest and principal on a debt for a particular project.
- **Fund balance/Surplus** - A fund balance is created when the school district has money left over at the end of its fiscal year from either under spending the budget or taking in additional revenue.
- **Banked Cap** - Unused spending authority that can be saved for 3 budget cycles and is generated by not spending all of the allowable 2% cap or using automatic cap waivers for health benefit increases, enrollment increases, or deferred pension contributions.
- **Capital Reserve** - A reserve account that is used for approved capital projects. Funds can be withdrawn by board resolution for projects eligible for state funding. Capital reserve can also be used to fund projects not eligible for state funding but funds can only be withdrawn at budget time.

Revenues At A Glance

State Funds - New Jersey provides funding for public schools in the form of aid for general operations and funding designated for particular expenses. **In Hopewell, this is less than 5%.**

Federal Funds - The Federal government provides some aid for schools in New Jersey. **In Hopewell, this is approximately 1% percent of our district's annual revenue.**

Property Taxes - The gap between State and Federal funds is filled with local property taxes. Districts are required to calculate a “maximum allowable tax levy” under the property tax cap law. **In Hopewell, 88.6% of our budget is funded by local property taxes.**

Fund Balance - Revenue collected for the school budget remains at the end of the fiscal year, that money becomes part of its fund balance. **In Hopewell, typically 2-5% of our budget is fund balance, last year we used less than in 2018-19**

Miscellaneous Revenues - Staff child tuition, staff health benefit contributions, other district tuition payments, facility rentals, transportation charges, E-rate grant. **In Hopewell, this is 1% of our budget.**

Balancing A Budget

REVENUES

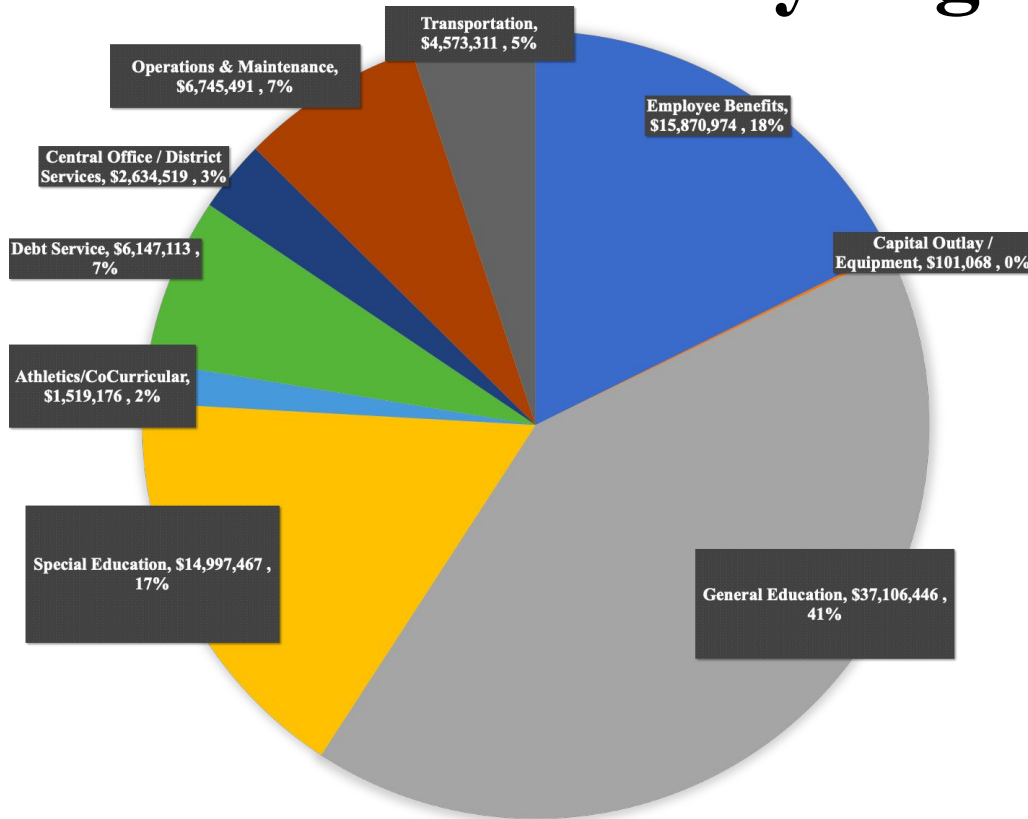
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EXPENSES

- **State Funding**
- **Federal Funding**
- **Property Taxes**
- **Miscellaneous Income**
- **Fund Balance**

- **Salaries**
- **Benefits**
- **Special Education**
- **Curriculum**
- **Facilities & Operations**
- **Transportation**

Where our money is going 2019-20



Biggest Budget Drivers: Staff/Benefits, Special Education, Operations, Transportation

Proposed Budget 2020-21 (Selected Cost Centers)

Expenses	2019-20 Approved Budget	2020-21 Proposed Budget	Percentage Difference
Regular Instruction	\$38,625,622		
Special Education	\$14,997,467		
Benefits	\$15,870,974		
Central Office/District Services	\$2,634,519		
Transportation	\$4,573,311		
Operations / Maintenance	\$6,745,491		
Capital Outlay	\$101,068		
Debt Service	\$6,147,113		
Total	\$89,695,565		

Why are our per pupil expenditures so high?

- Small Schools
- Small Class Sizes
- A large number of student programs and opportunities
- A large number of student support services
- A very experienced teaching Staff
- Programs that are well above State minimums:
 - Art, music, world language, library, nursing, counseling and many others

Programs Added Over Last 9 Years

- Added Full-day kindergarten (+ 12 Staff; 6 teacher, 6 paras)
- Added STEM Facilitators (+4 Staff)
- Added STEM Magnet Program (+1 Staff & Transportation) (offset by Aid)
- Added Dance to Performing Arts Program at CHS (+1 Staff)
- Added Theater Tech classes (+.40 Staff)
- Eliminated Activity Fee
- Eliminated Paid Hazardous Busing Routes
- Added Volleyball Male & Female w/ three levels
- Added Late Bus Runs on the secondary level
- Added Indoor color guard
- Added Indoor drumline
- Added Student Assistance Counselor @ TMS (+1 Staff)
- Added Additional Athletic Trainer (+1 Staff)
- Added Chinese Language at TMS & CHS (+1 Staff)
- Numerous electives and class added

What are our challenges?

- Supporting required staffing and increasing costs within the budget cap
- Maintaining class sizes
- Retaining programs and services
- Relying upon surplus to lower budget
- Health care increases

At this point in the budget process...

- All discretionary spending is flat or reduced
- Overall district staffing will be reduced
- No new programs have been added to the budget
- Capital projects are minimized to essential items needed to stabilize facilities

Current Staff Reductions In The 2020-21 Budget

- Reduction of 2 full-time teachers on the K-5 level \$150,000*
- Reduction of 2 full-time teachers at CHS \$200,000*
- Reduction of 1 Admin position \$130,000*
- Reduction of 2 Secretary positions \$160,000*

*Approximate cost of existing staff members including salary and benefits

Last Year:

- Reduction of 5 full-time teachers on the K-5 level
- Reduction of 1 full-time teacher at CHS
- Elimination of .50 World Language teacher

	15-16	16-17	17-18	18-19	19-20	20-21	% of Budget	2020-21 Amount
Bargaining Units Percentage (These are average increase for members of the association, not per member)								
HVEA	2.80%	2.60%	2.40%	2.95%	3.05%	3.15%	55.80%	\$
HVESPA	2.3%	2.50%	2.90%	2.50%	\$1500 (para/sec) \$900 (cust)	2.72%		
HVDSA	2.10%	2.10%	2.40%	2.60%	2.70%	2.80%		
HVASA	2.10%	2.10%	2.75%	2.60%	2.40%			
HVNAA	2.10%	2.10%	2.50%	2.50%	2.40%			
Non Reps	2.40%	2.40%	2.40%	2.50	2.65%			
Insurance Percentage Increases (These are the average increase per member premium)								
Dental	0.00%	0.00%	0.00%	-4%	0.00%		13.90%	\$
RX	0.00%	25.00%	13.00%	5.35%	9.00%			
Medical	0.00%	10.00%	12.00%	7.75%	9.00%			
Budget							69.70%	\$
Budget	0.90%	0.80%	1.90%	1.75%	5.27%			

Use of Fund Balance (Surplus)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
General Fund	\$1,712,461	\$1,249,115	\$ 1,180,282	\$1,841,569	\$2,989,390	\$4,557,244	\$2,431,442	
Debt Service	\$11,958	\$917,170	\$1,312	\$1,754	\$8,809	\$331,075	\$312,329	
Total	\$1,724,419	\$ 2,166,285	\$ 1,181,594	\$1,843,323	\$2,998,199	\$4,888,319	\$2,743,771	

What is Fund Balance (Surplus)?

If revenue collected for the school budget remains at the end of the fiscal year, that money becomes part of its fund balance. There are specific laws that govern how fund balance can be spent.

Options include: Applying it to a future budget in the form of revenue, earmarking it for anticipated future needs and/or save it for unexpected emergencies.

Capital Reserve History

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Beg Bal 7/1	\$ 1,887,147	\$ 3,970,353	\$ 4,871,220	\$ 4,825,710	\$ 4,906,680	\$ 5,413,159
Withdrawals	\$ 21,696	\$ 127,222	\$ 149,898		\$ 1,508,464	
Funding Ret		\$ 254,134	\$ 104,388			
Deposits/Intrst	\$ 2,104,902	\$ 1,536,955		\$ 80,970	\$ 2,014,943	
Debt Relief		\$ 763,000				
End Bal 6/30	\$ 3,970,353	\$ 4,871,220	\$ 4,825,710	\$ 4,906,680	\$ 5,413,159	

Withdrawals:

2014-15: Completion of CHS Nurse office / HE HVAC

2015-16: CHS generator (FEMA)

2016-17: Stony Brook Playground

2017-18: Secure vestibules and generators

Banked Cap History

	2016-17	2017-18	2018-19	2019-20	2020-21
Carry-over	\$ 750,497	\$2,961,965	\$3,647,365	\$3,540,427	\$1,328,959
Generated	\$ 2,211,468	\$ 685,400	\$ 643,559	\$ -	\$ -
Available	\$ 2,961,965	\$3,647,365	\$4,290,924	\$3,540,427	\$1,328,959
Used	\$ -	\$ -	\$ -	\$2,144,798	\$ -
Expires	\$ -	\$ -	\$ 750,497	\$66,670	\$685,400




Banked Cap - Unused spending authority that can be saved for 3 budget cycles and is generated by not spending to the allowable 2% cap or using automatic cap waivers for health benefit increases, enrollment increases, or deferred pension contributions.

Tax Rate Summary

Municipality	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Hopewell Borough	.04	.13	.01	.00	.03	.09	
Hopewell Township	.03	.04	.03	.03	.04	.05	
Pennington Borough	.08	.06	.00	.00	(.02)	.03	
Tax Levy							




Calculating Your School Taxes: Assessed Value ÷ 100 x School Tax

Things We Don't Control: The Ratables*

Municipality	2018-19	2019-20	2020-21	Difference
Hopewell Borough	\$317,835,055	\$316,902,300 	\$	\$
Hopewell Township	\$3,966,384,055	\$3,965,382,332 	\$	\$
Pennington Borough	\$496,927,100	\$503,985,857 	\$	\$

*The overall ESTIMATED value of all taxable properties in the town (determined by the Mercer County Tax Assessor)

Things We Don't Control: The Percentage Share*

Municipality	2017-18 Budget Share	2018-19 Budget Share	2019-20 Budget Share	2020-21 Budget Share	
Hopewell Borough	6.3816625	6.5514121	6.6528444	6.6127906	
Hopewell Township	83.5872414	83.7082886	83.2581219	83.2627492	
Pennington Borough	10.0310961	9.7402993	10.0890337	10.1244600	

*How the school tax is distributed between the towns we serve (determined by the Mercer County Tax Assessor)

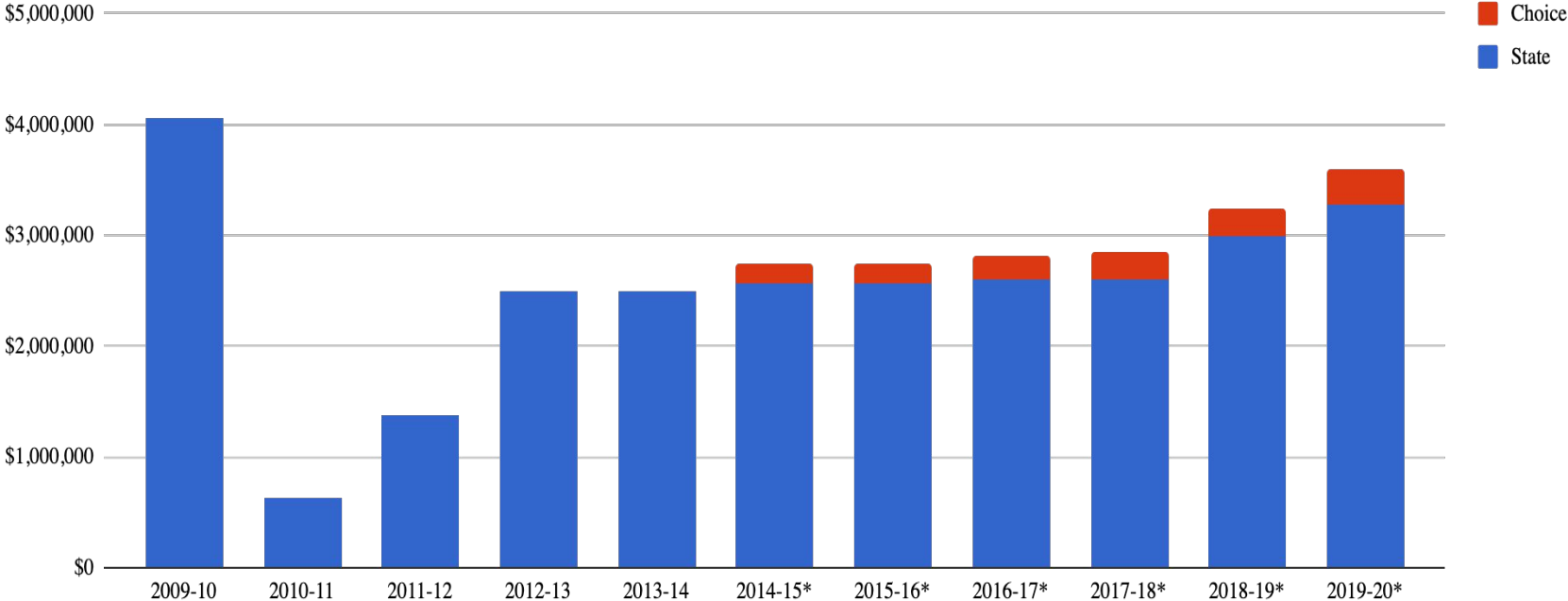
District Revenues for 2019-20

Revenues	2019-20 Original	2020-21 Proposed	Change vs. Original
Total Fund Balance	\$ 2,743,771	\$	%
Total Local Tax Levy	\$81,215,296	\$	%
Total State Aid	\$3,971,749	\$	%*
Total Miscellaneous	\$920,787	\$	%
Total Federal Aid	\$843,962	\$	%
Grand Total	\$89,695,565	\$	%

*State Aid includes an increase in School Choice Aid

HVRSD State and Choice Aid Past 10 Years

State and Choice



Debt Service Payment Plan

2018-19 - \$6,115,000.00

2019-20 - \$6,147,112.50

2020-21 - \$5,701,962.50

2021-22 - \$5,764,962.50

2022-23 - \$4,199,462.50

2023-24 - \$4,182,287.50

2024-25 - \$4,167,512.50

2025-26 - \$4,149,975.00

2026-27- \$4,134,675.00

2027-28 - \$4,108,125.00

2028-29 - \$4,083,425.00

2029-30 - \$4,055,400.00

2030-31 - \$4,011,000.00

2031-32 - \$3,967,600.00