



The Art of the Possible

- A Financial and Reinvestment Communication Series -



Montgomery Township School District

November 13, 2018



2018-19 Committee Goals

1. Conduct meetings in a manner that conveys respect of all attendees.
2. Continually focus on improving communication of matters considered by the Committee to all Board members and appropriate staff.
3. Oversee the district's plans and actions to achieve improved performance of the transportation functions.
4. Inform full board and public regarding forecasted financial position of the district to seek the advice of constituents in order to consider future revenue generation and prioritize future investment.
5. Consider ways to implement the practice of Enterprise Risk Management (ERM) across those activities for which the Committee has oversight responsibility.
6. Review the district's school-based budget.

2019-20 Budget Goals



1. Align budget priorities with strategic plan.
2. Budget Managers will strive to keep costs at or below the 2018-19 revised budget. They will prioritize current programs and reallocate funding as appropriate. Significant items omitted due to insufficient funds shall be listed in order of importance.
3. Integrate budget fully with negotiating strategies.

Proposed Budget Calendar

[subject to change]



1. January 2019- Opportunity for Public Input
2. February 2019 - Curriculum, Technology and Operations
3. March 2019 - Special Education and Personnel
4. March 2019- Tentative Budget Adoption
5. April 2019 - Adoption of Final 2019-20 Budget

MTSD Core Principles: We believe



- Every student can learn and grow academically and social-emotionally.
- Each student is entitled to an excellent education that meets his or her individual needs.
- In upholding high academic standards for every student.
- Hiring, developing, and retaining outstanding staff is essential to student success.
- Decisions should be made in the best interest of students, using evidence and research based best practices

MTSD Core Principles: We believe



- Effective, transparent communication is essential for the District's success.
- Our diversity is a strength that creates resilient, socially aware, global citizens.
- Collaboration with all stakeholders enriches teaching and learning.
- Sound financial stewardship strengthens our organization and community.
- Accountability is essential to ensure excellence.



Today's Objectives

- To provide for the first time to all stakeholders deep insight to the historical drivers and to the 5 Year “As Is Projections”
- To initiate an educational process and conversation among all stakeholder as to the priorities of reinvesting in the district to achieve and sustain the Districts Mission, Vision, and Portrait of a Graduate - to meet our social contract with our community.

To result in a collaborative process with stakeholders to develop a long term financial plan to achieve our Strategic Intent



Art of the Possible - Defined

From the District: To reinvest in District Mission, Vision and Portrait of a Graduate to achieve our:

- Mission - To empower every student to succeed in a diverse, dynamic, global society by providing quality educational experiences in a caring environment
- Vision- To be a premier school district in developing confident, compassionate, engaged learners
- Portrait of a Graduate -Ethical & Responsible, Socially & Emotionally Aware, and College & Career Ready





Art of the Possible - Defined

To our Students and Community by achieving our Mission, Vision, and Portrait of a Graduate by both re-allocating and or reinvesting in our District to

- Provide the best total educational experience at Montgomery
- Expand the unique **opportunity** to pursue your passion(s) and achieve life success post Montgomery

However, we cannot expect current or better results by working within the continuing financial constraints. It is likely the District will need a budget reset.



One Montgomery: Montgomery Township and School District

- Consistently ranked as one of the top towns to raise a family in NJ providing a great quality of life work balance
- Ranked as one of the most highly educated towns
- Parents and community are benefits, understand and make a significant investment in total education
- Highly active parents in children's total education experience: PTA/O, Arts, Clubs, Sports, MTEF
- MTSD consistently ranked amongst the best of education systems in NJ and the Country

The symbiotic relationship among Montgomery Township, Rocky Hill Borough and MTSD to the provide for a Premier education at a superior value and excellent quality of life.

Contents



- Methodology
- Academic Performance
- Context and Summary Observations
- Next, Continuing Steps, 2019/2020 Budget Goals and Calendar
- Finances: Detailed Historical Trends
- Finances “As Is Projected”



Methodology

- Identify the key historical financial drivers to MTSD finances
- Determine the year over year growth and underlying reasons for growth
- Develop a 5 year trend analysis to the growth factors
- Apply the growth factors to additional market drivers to develop the “As Is Projections”



MTSD Academic Performance

Class of 2018 - Mean SAT Scores

	<u>Montgomery</u>	<u>New Jersey</u>	<u>National</u>
Evidence-Based Reading and Writing	641	547	536
Math	669	547	531

Class of 2018 - Mean ACT Scores

	<u>English</u>	<u>Math</u>	<u>Reading</u>	<u>Science</u>	<u>Composite</u>
Montgomery	28.8	28.8	28.6	27.9	28.7
New Jersey	23.8	23.6	24.0	23.0	23.7
National	20.2	20.5	21.3	20.7	20.8

MTSD Academic Performance



New Jersey Top High Schools

	<u>US News</u>	<u>NI Monthly</u>
2018	Ranked #16	Ranked #11
2017	Ranked #25	Ranked #16
2016	Ranked #23	Ranked #12

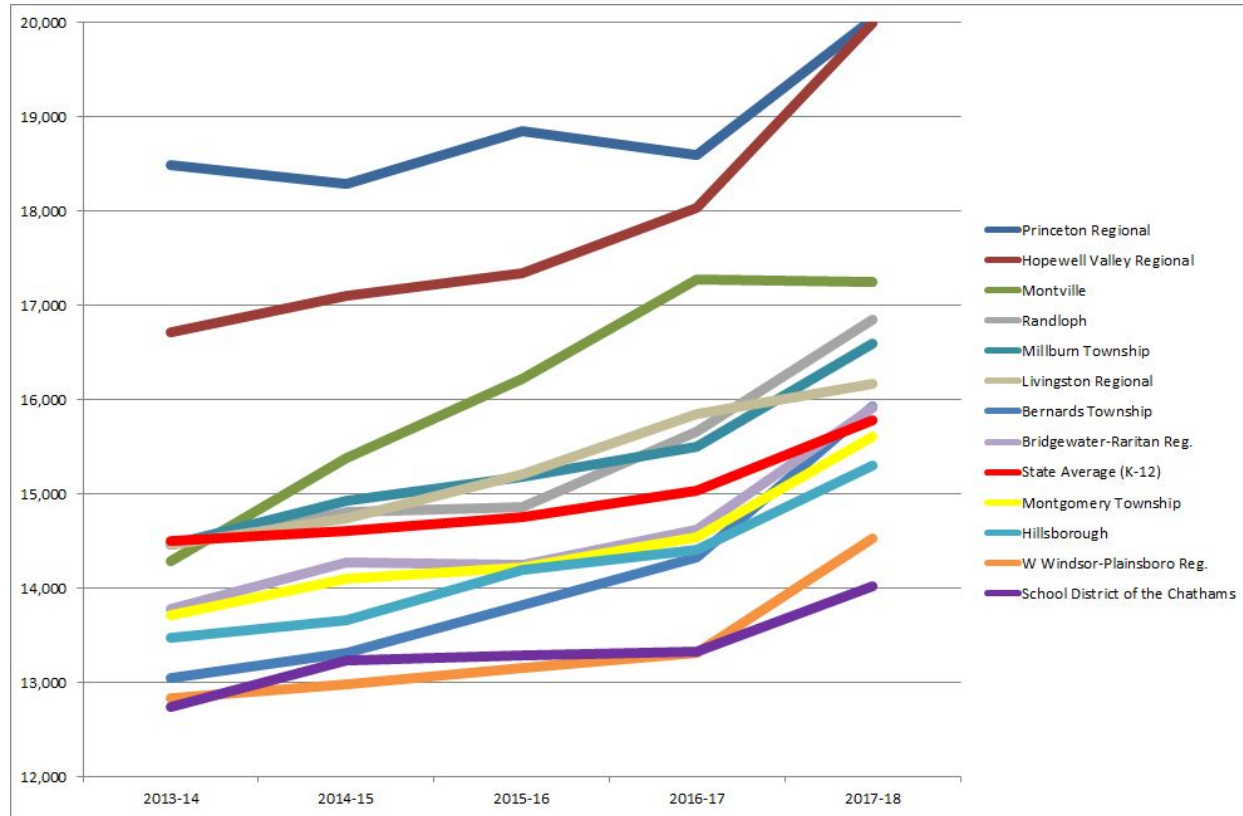
National Merit Program

Class of 2018 - 12 finalists, 62 Commended Students

Class of 2017 - 17 finalists, 1 Semifinalist, 41 Commended

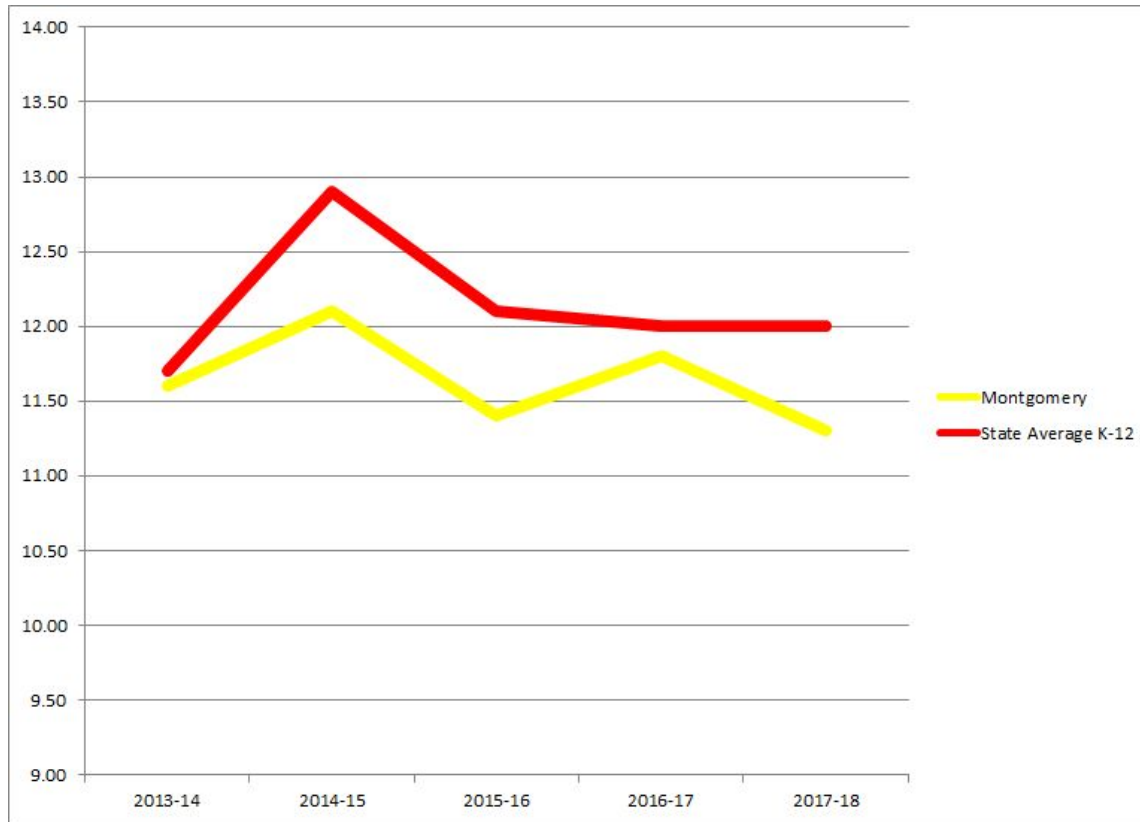


MTSD Cost Per Pupil



Source: DOE Taxpayers Guide to Education Spending

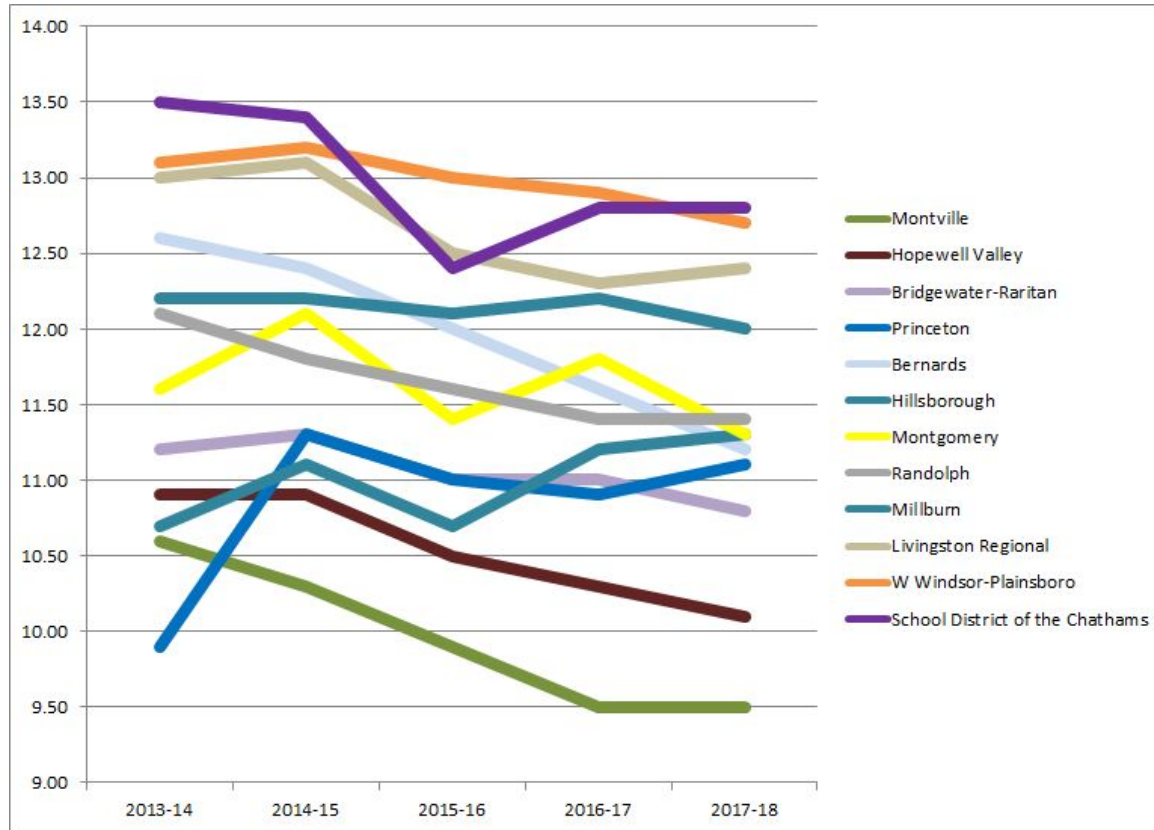
MTSD Ratio Students to Classroom Teachers



Source: DOE Taxpayers Guide to Education Spending



MTSD Ratio Students to Classroom Teachers



Source: DOE Taxpayers Guide to Education Spending

Context and Summary of Observations



- Absent a vote on the budget - Districts are limited to grow their general budget [tax levy] by 2% per annum. [Districts can take an allowance above 2% for health insurance and pass cost of health insurance in the form of tax to the community.]
 - The 2018/2019 budget is \$85,155,803
- The expenses of the District is growing at a rate the outpaces the 2% tax levy and challenges to either sustain current academic performance or strategic intent -
- Other Revenues: State funding unreliable - at risk, limited alternative revenues sources
 - The State does not allow for BOE to create an endowment fund
- The primary drivers are salaries, special education, insurance, transportation, and technology
 - The 2018/2019 tax levy 2% approximates at \$1.467M. A hypothetical increase of MTEA salaries at 2.5% would be \$1.029M or 70%
- At current “As Is Projections” the District will exhaust surplus by 20/21

Context and Summary of Observations



These challenges are NOT unique to our District

Our Strategic Plan and Your Board are seeking a discourse to be pre-emptive, proscriptive in successfully addressing the challenges, opportunity to the long term symbiotic relationship of OUR community and school District



Steps In Process - Representative

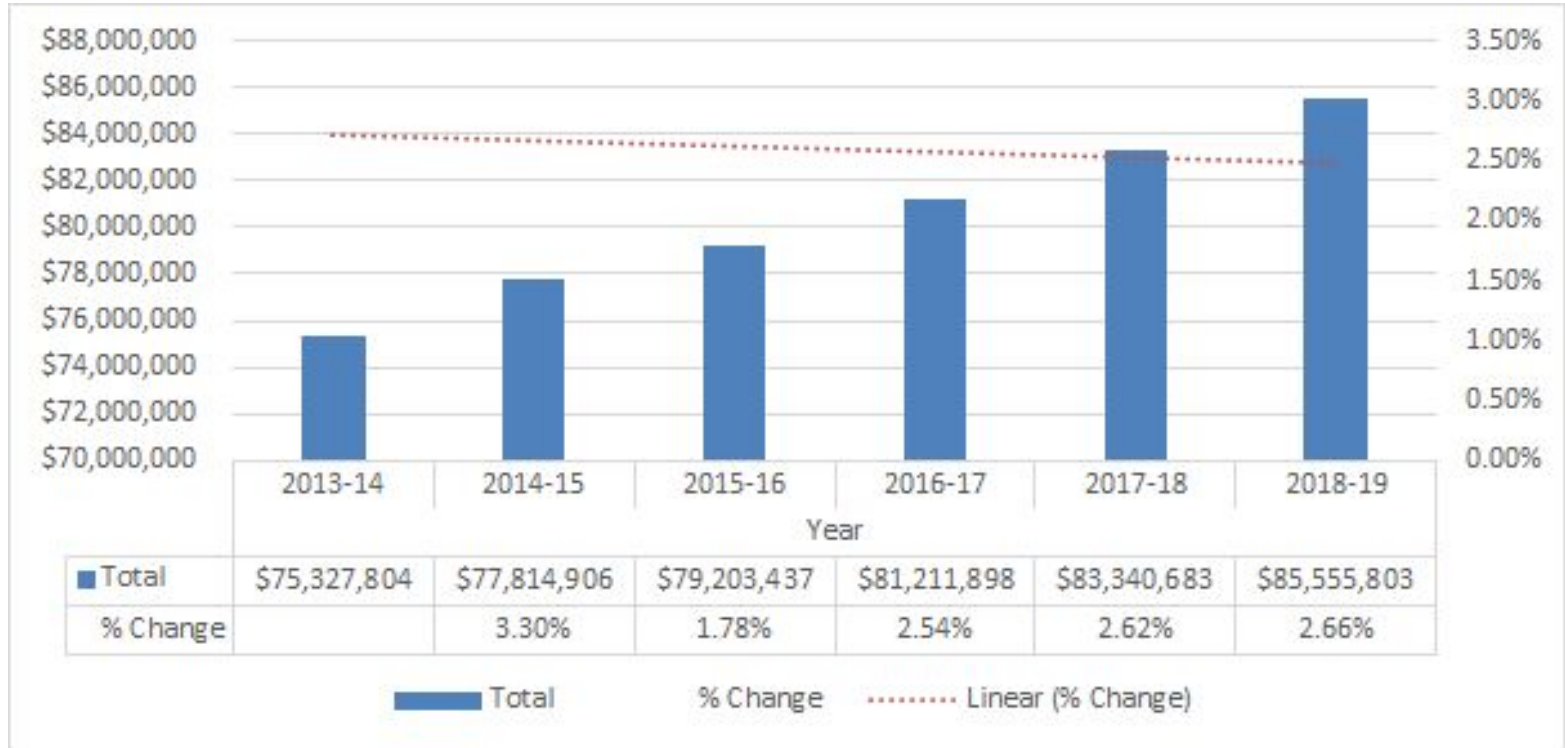
- Continuing to increase transparency and entering into education and discourse with stakeholders regarding Goal 4 of Strategic Plan: Optimize operational and financial resources to enhance student experience.
- Continuing collaboration and coordination with MTWP Committee
- Entered into collaboration with MTEA and APSMT to increase transparency and institutional ownership
- Engaged in Interest Based Bargaining vs Positional Negotiations with MTEA



Steps In Process - Representative

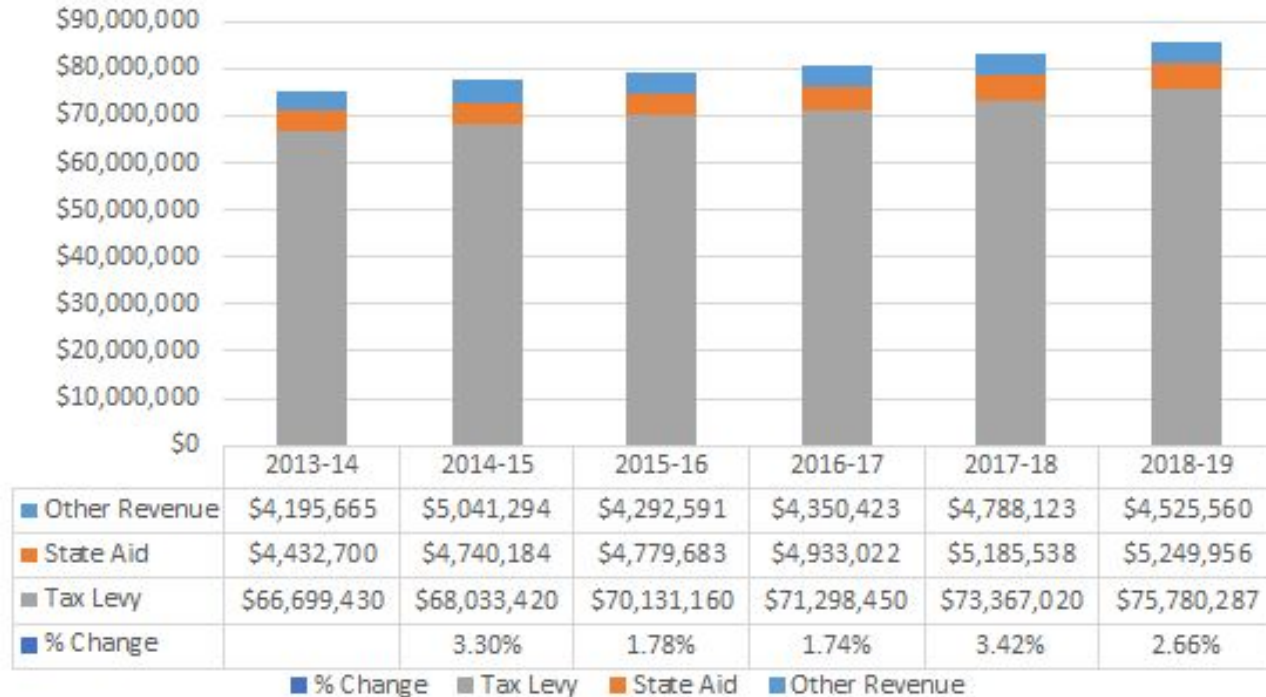
- Working with Office of the Superintendent of Schools to improve on institutional goal alignment and accountability
- Evaluating and prioritization of offerings and programs: Competitive Sports, Clubs, Non-core curriculum
- Improving on budgeting internal processes, prioritization evaluation, and initiating school based budgeting
- Integrating budgeting process and accountability across all committees
- Assessing organizational capabilities and structure versus future needs
- Developing a parallel reinvestment plan tied to strategy

Total Revenues

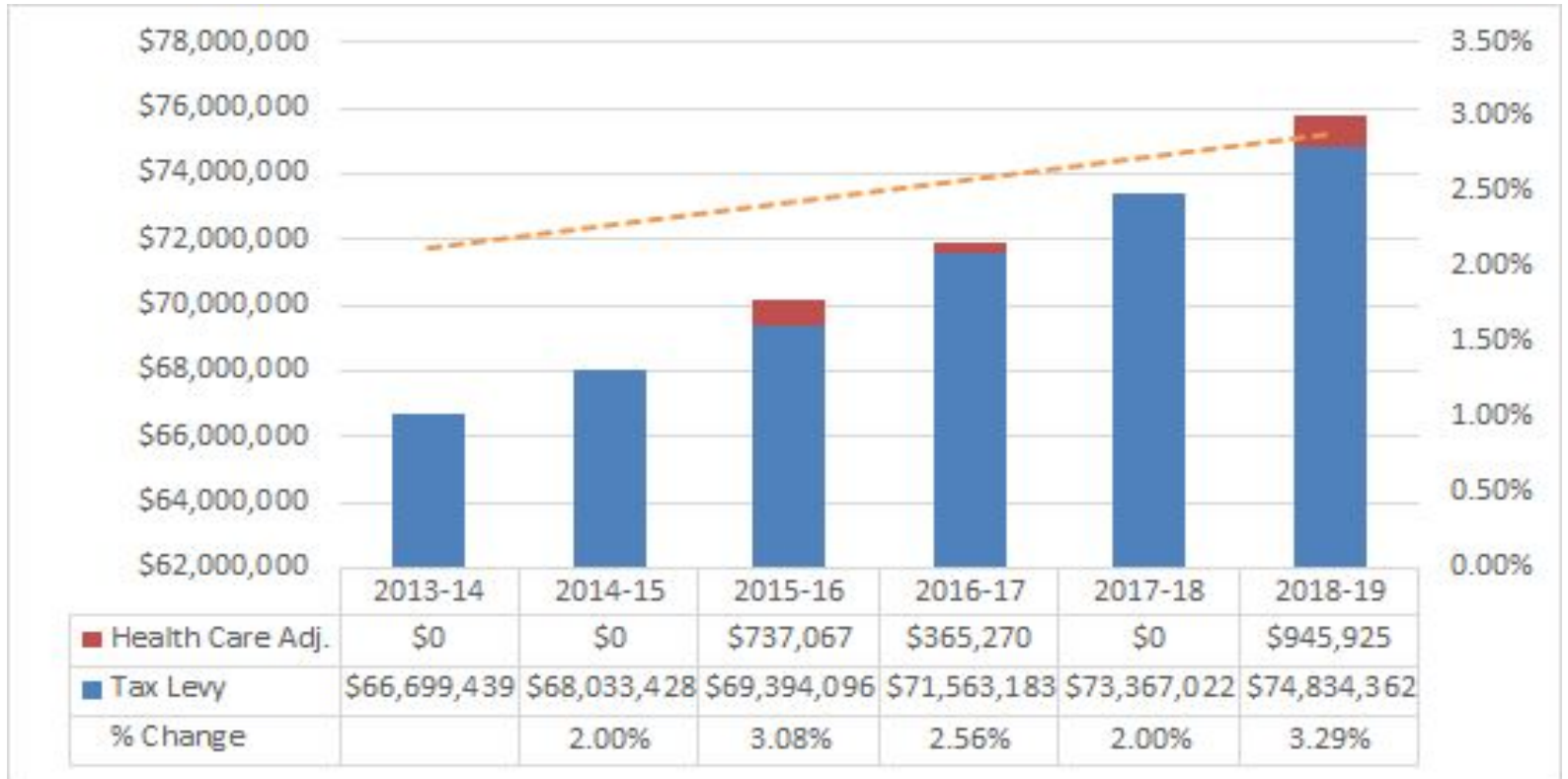




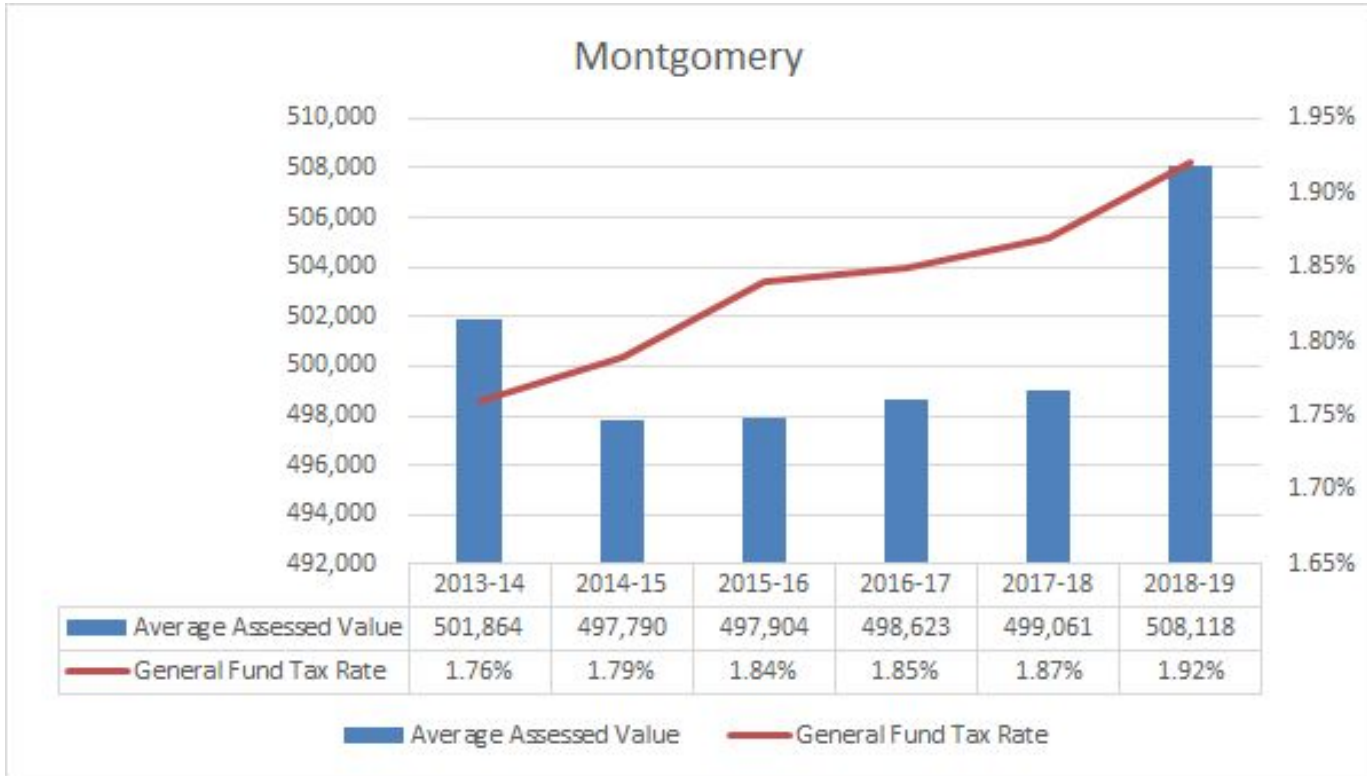
Revenue Sources



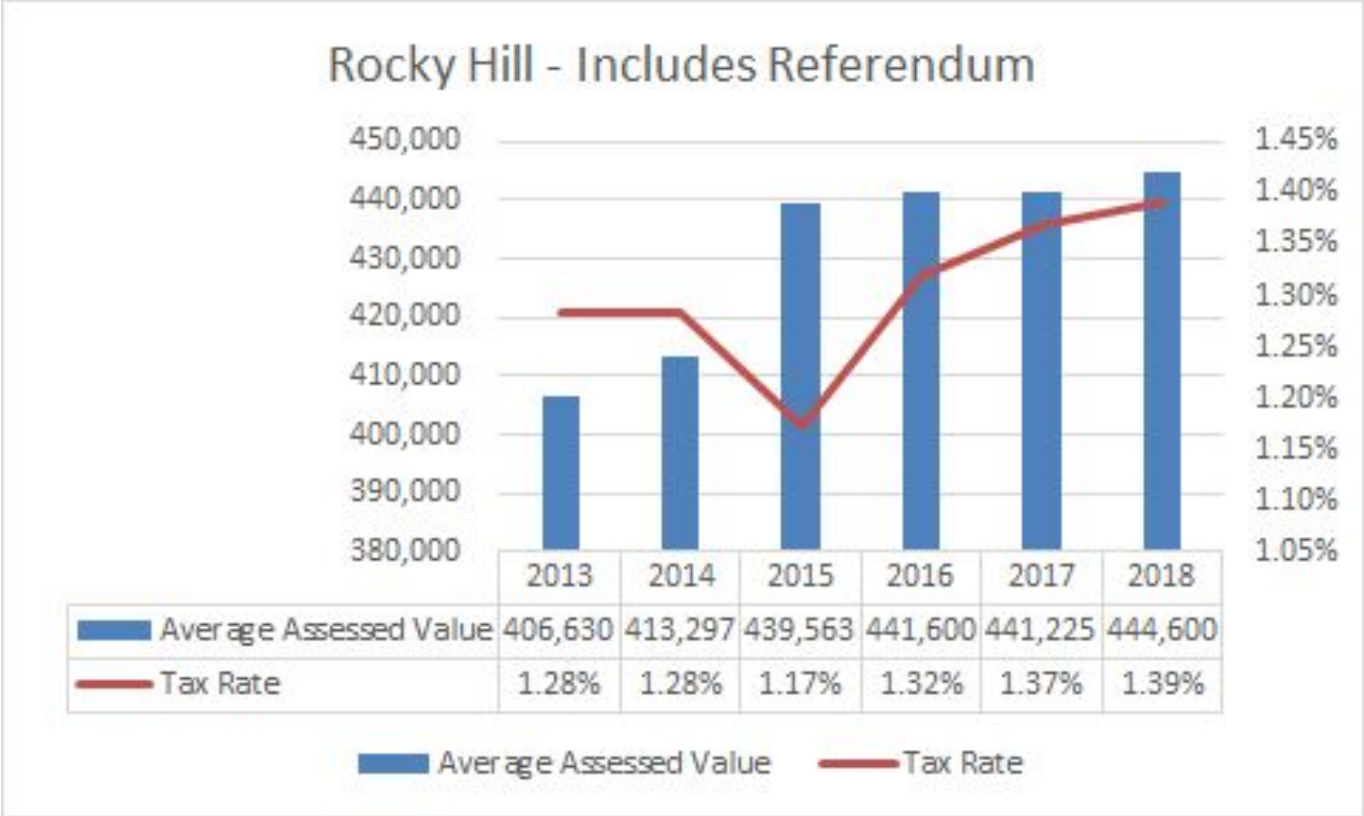
Revenue - Tax Levy



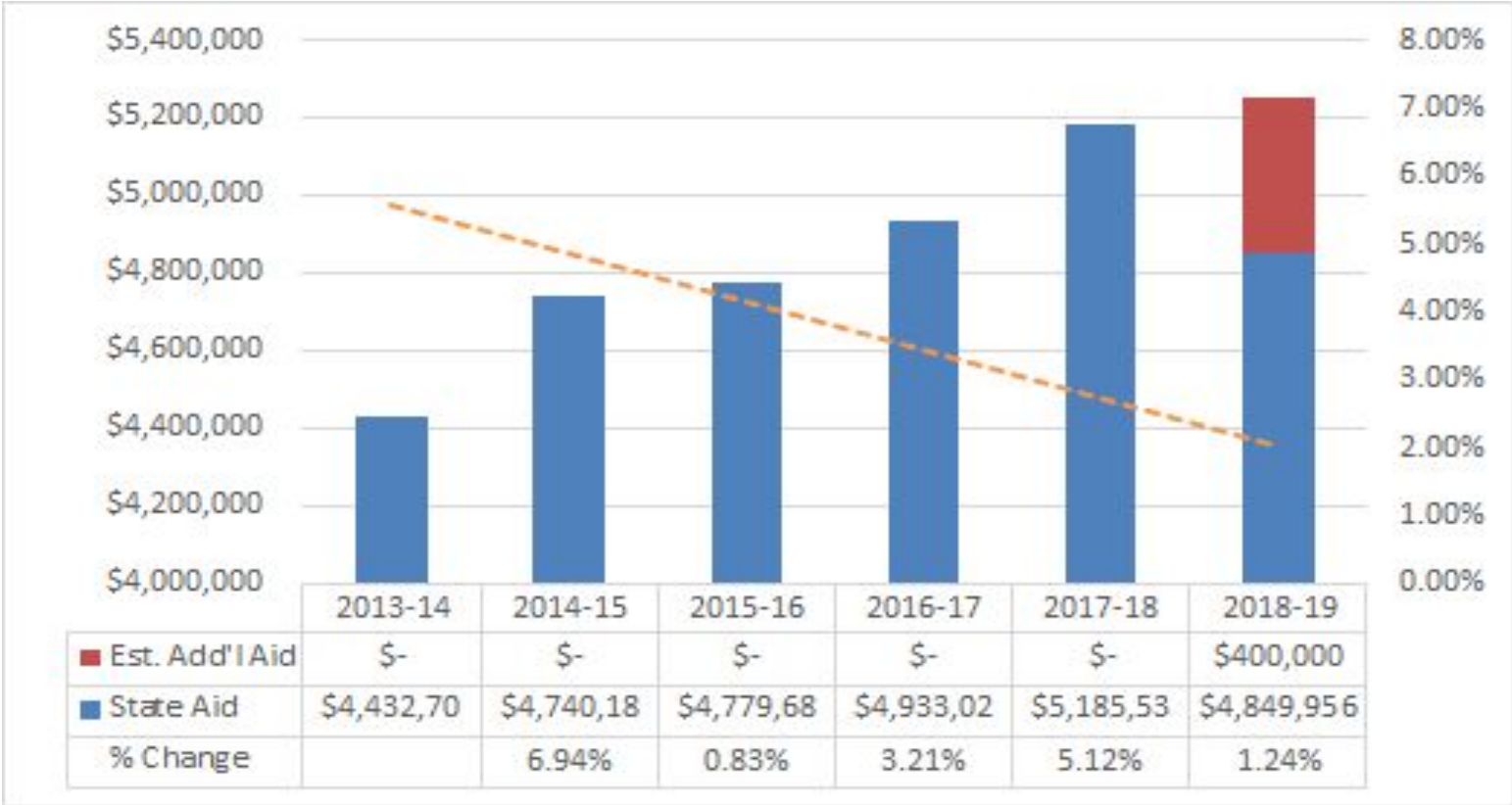
Approximate Tax Per Average Home



Approximate Tax Per Average Home

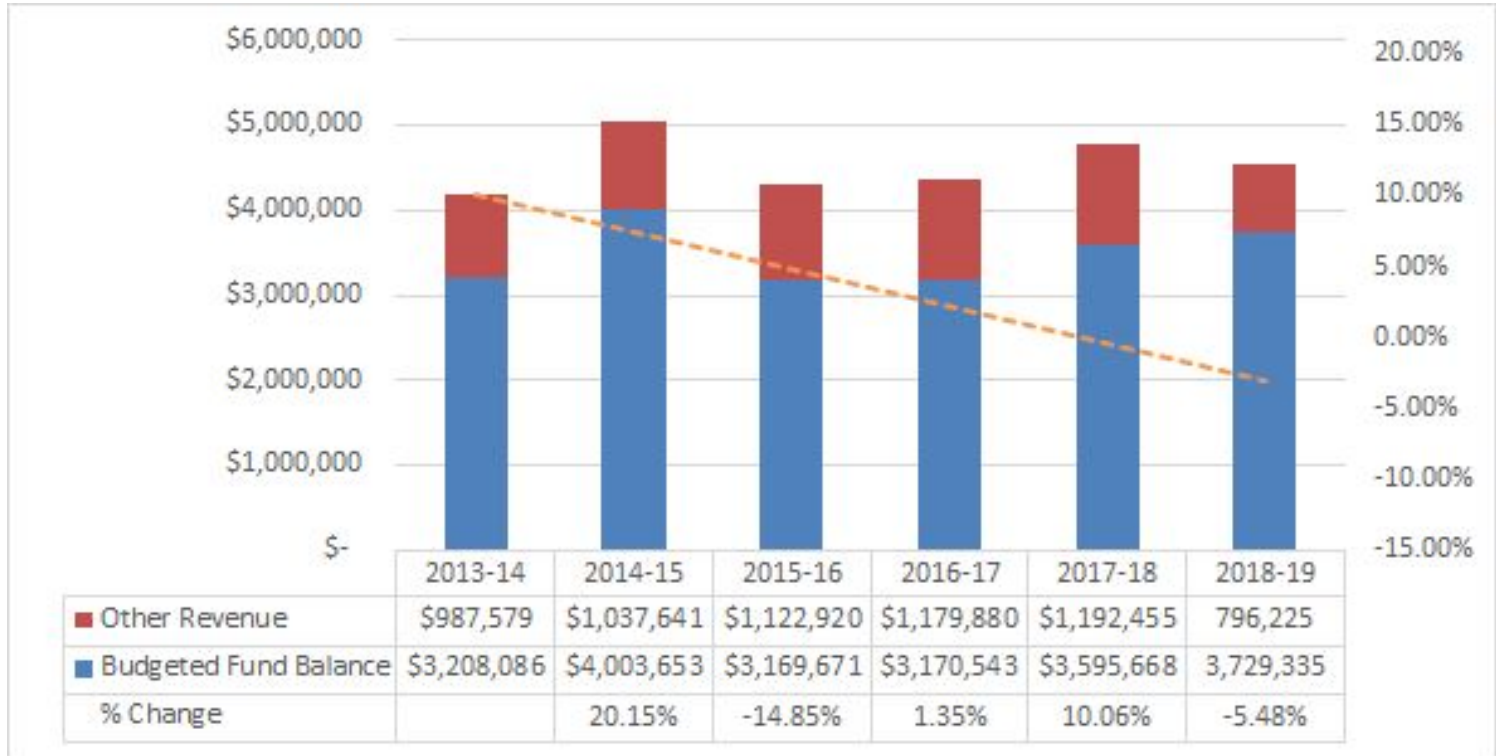


Revenue - State Aid



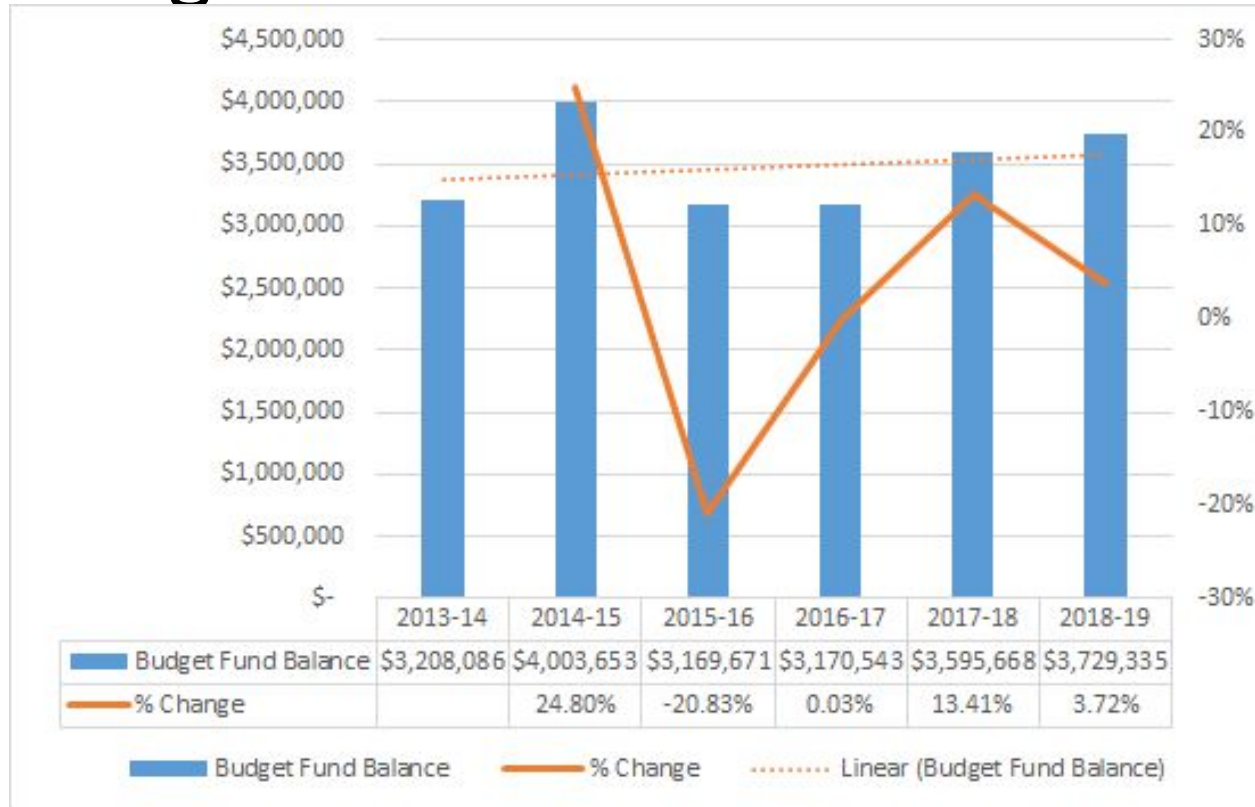


Revenue - Other





Budgeted Fund Balance



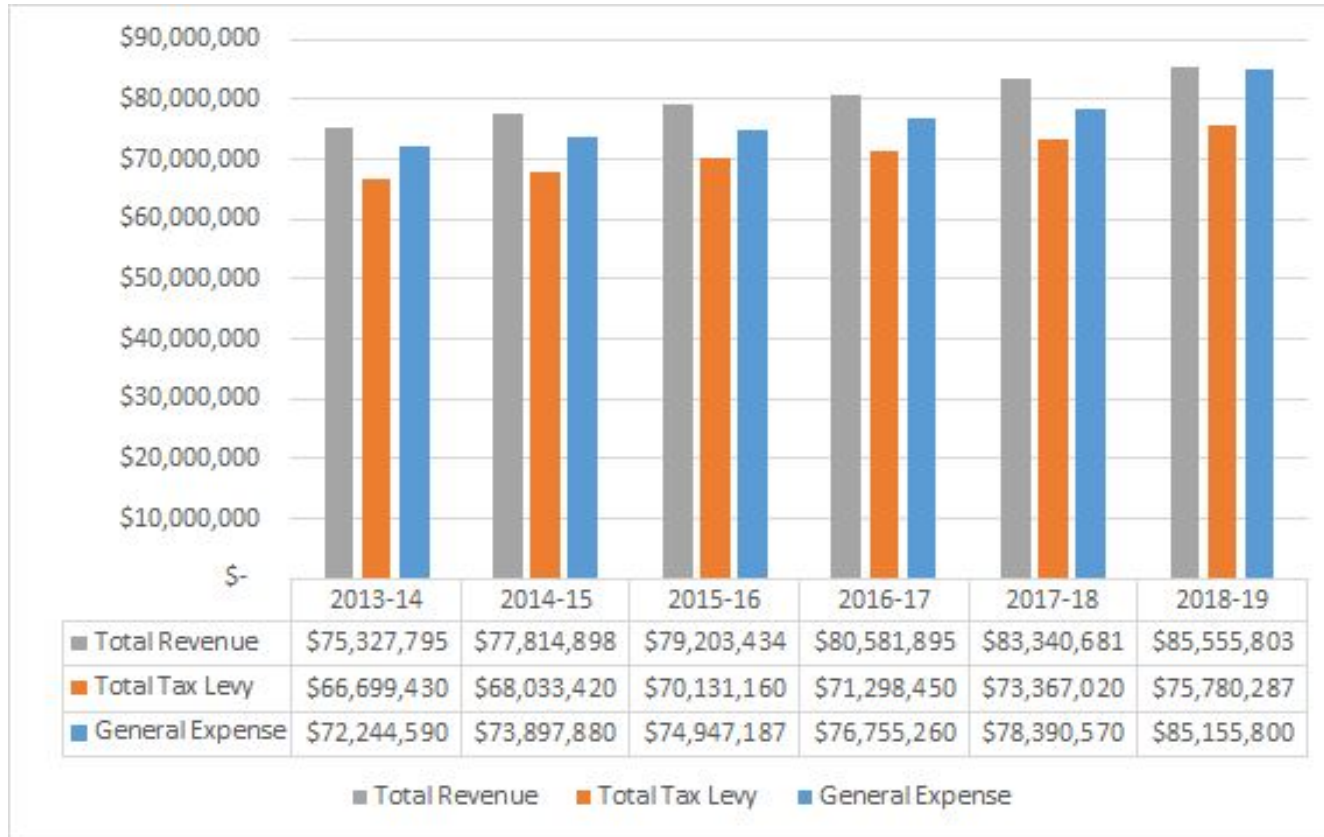
Note: 17-18 one time saving from h/c to Horizon, 18-19 additional state aid 180k, unspent saving for strategic planning from 17-18 h/c saving

Operating Expenses





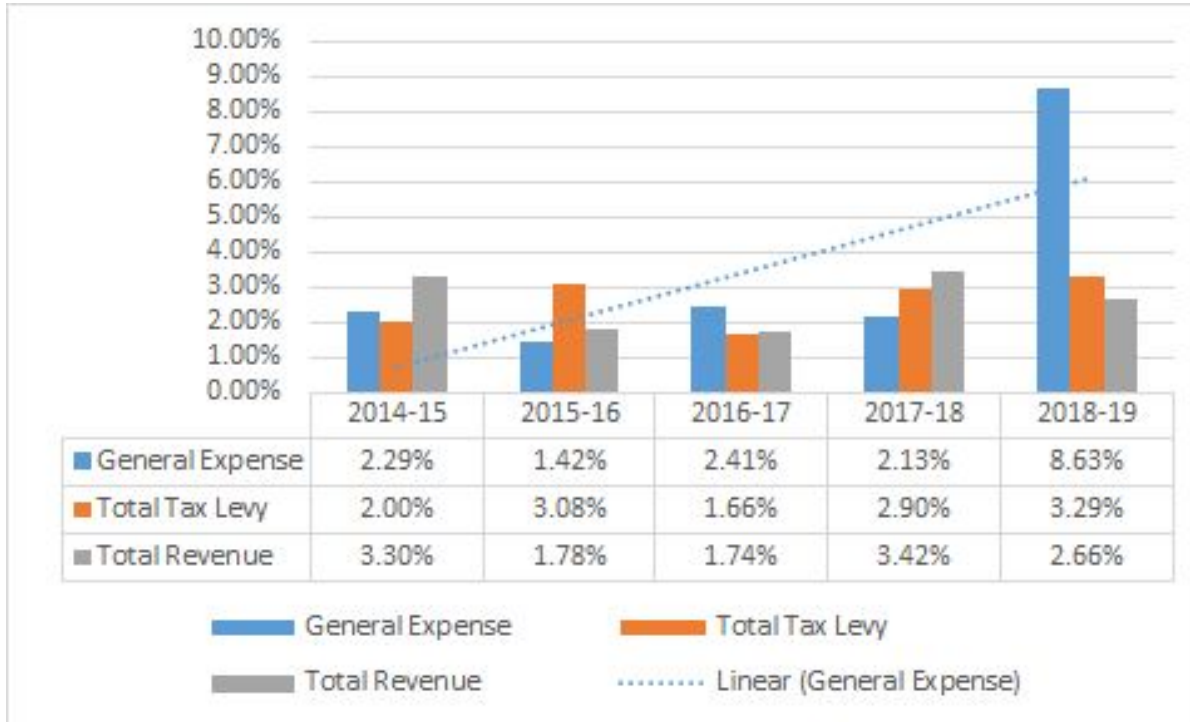
Revenues vs Expenses \$





Revenues vs Expenses % Growth Comparison

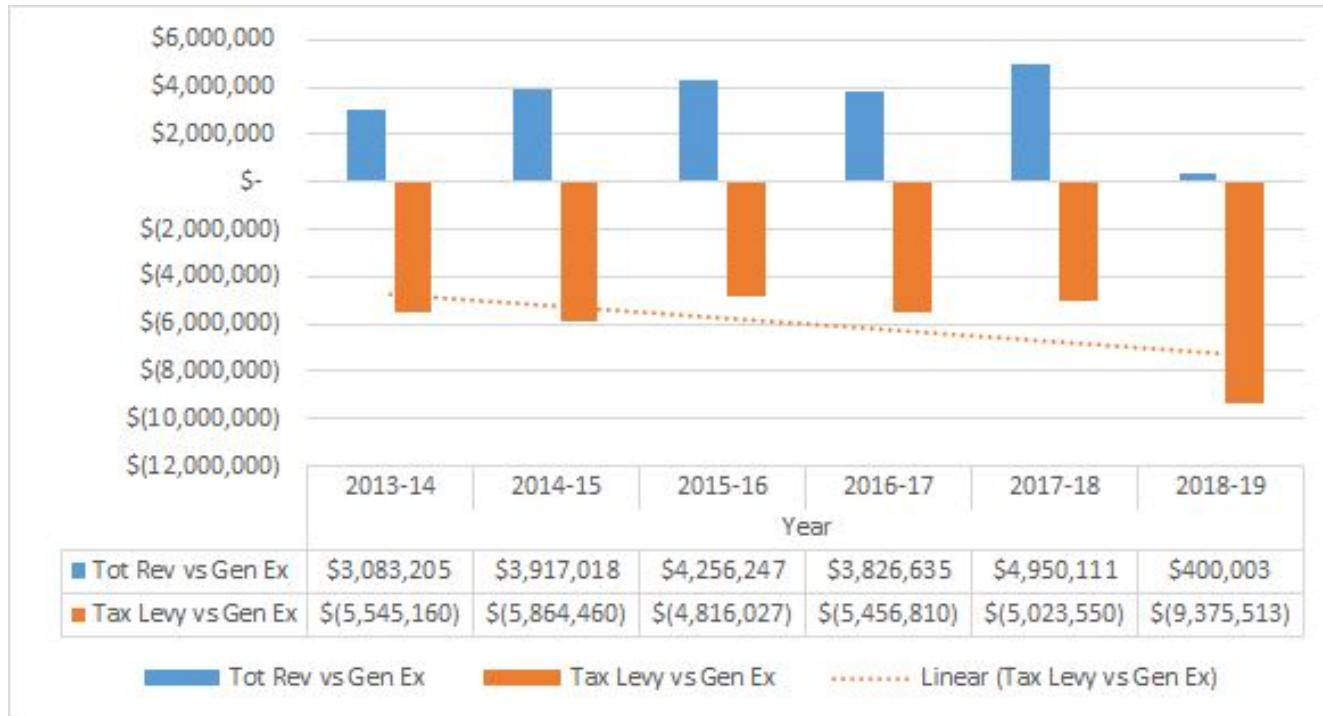
Adjusting for Healthcare waiver - Expense outpacing tax levy growth rates



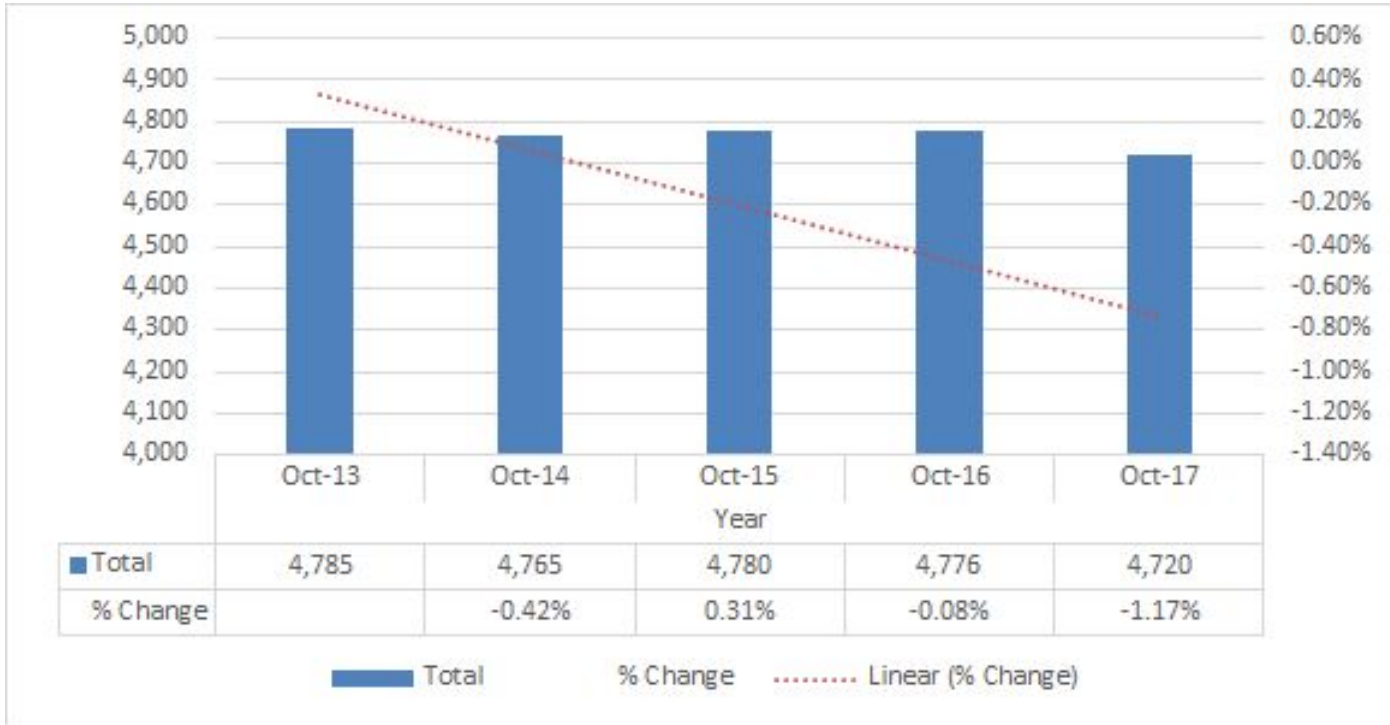


Revenues vs Expenses \$ Gap

Expenses are outpacing the ability to tax, increasing reliance on at risk revenues

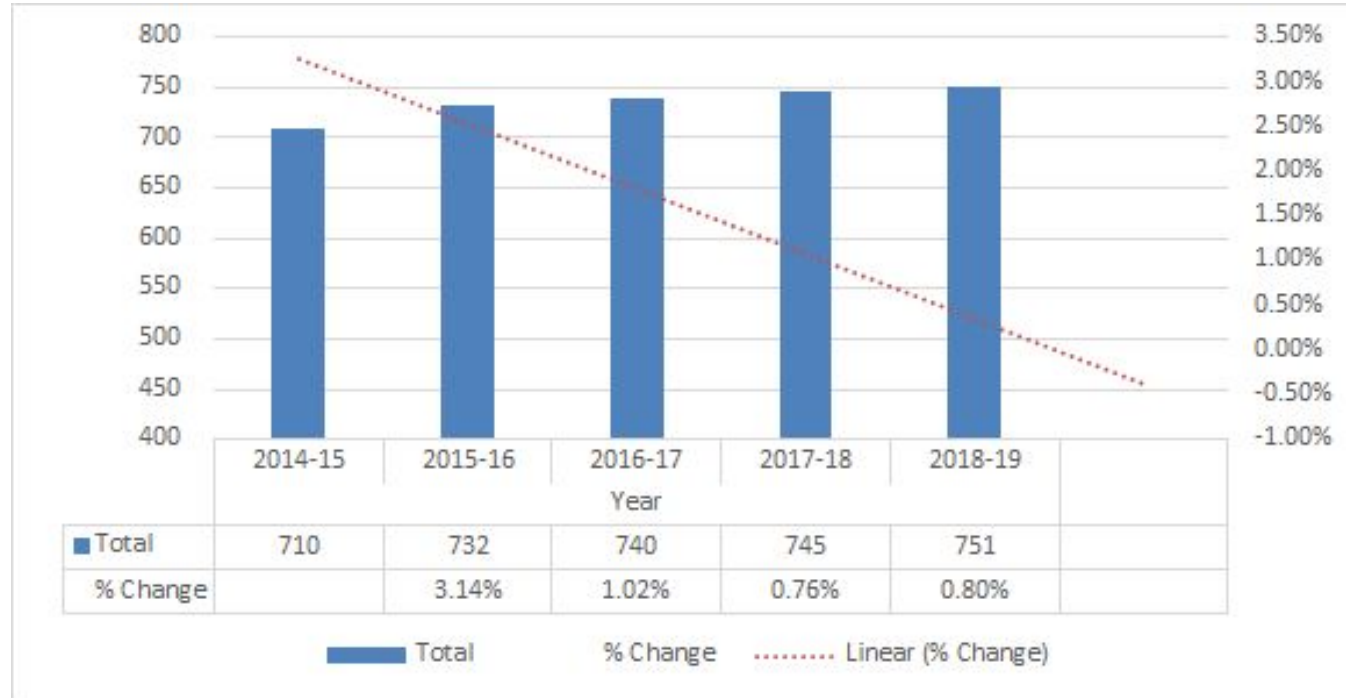


Student Resident Enrollment

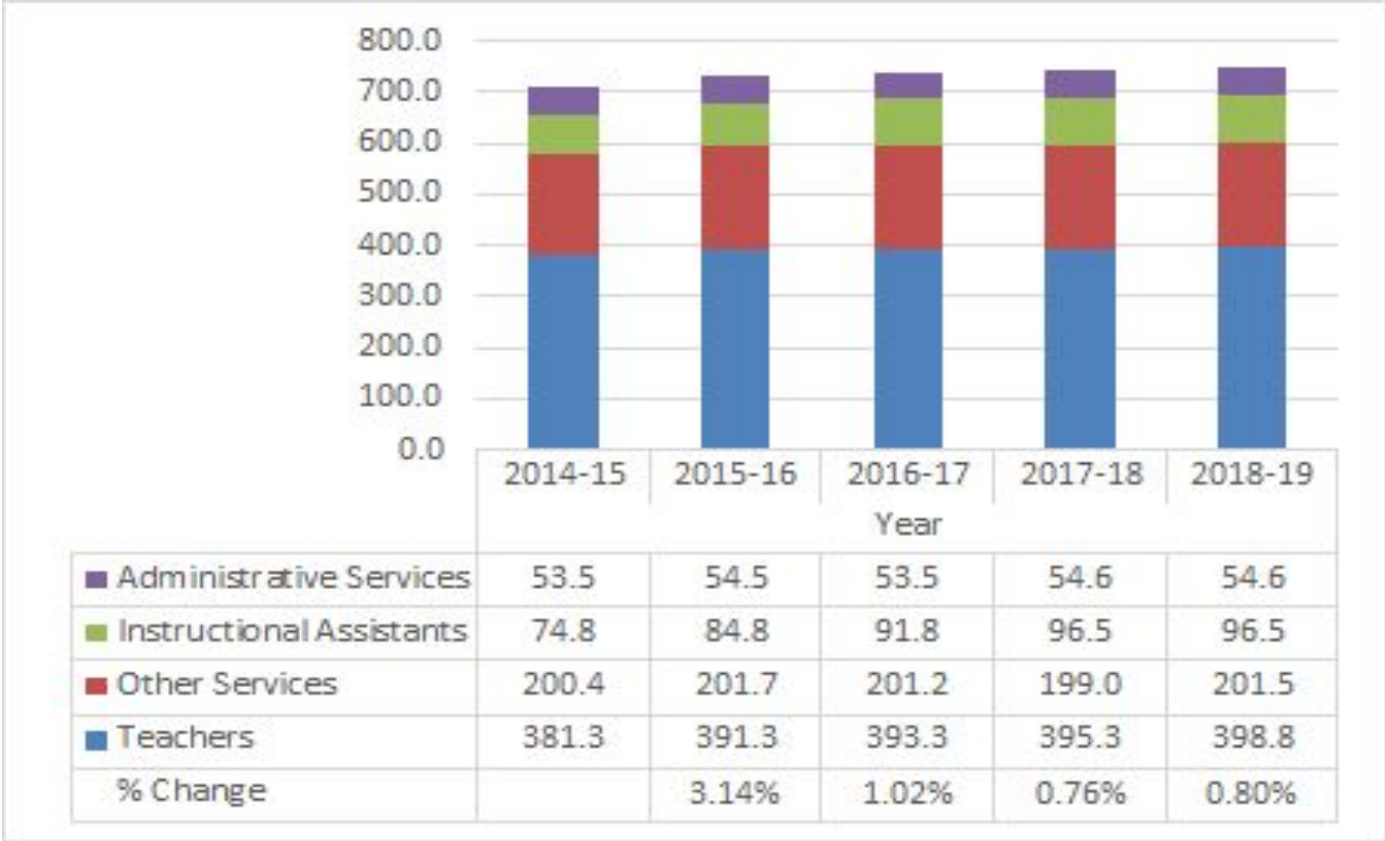




Employee Growth



Employee Growth



Payroll



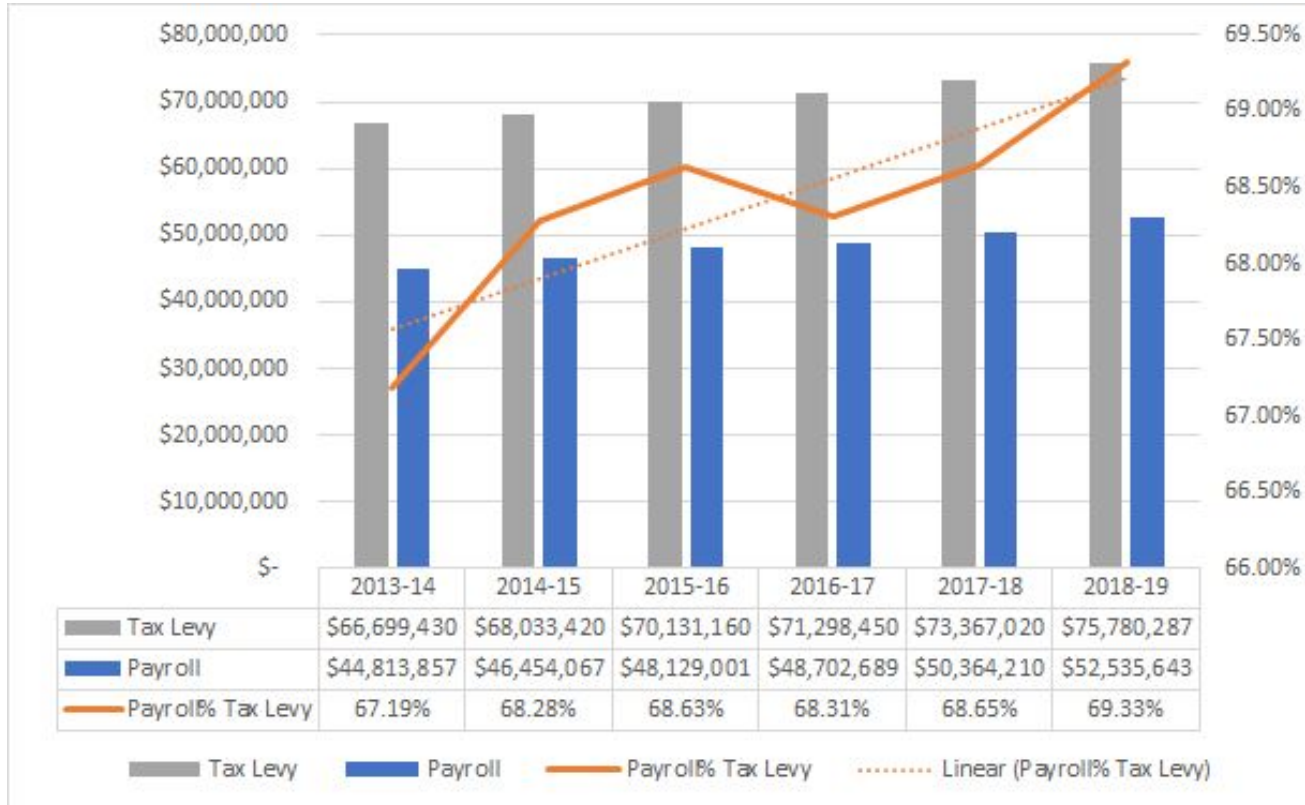
Percent Salary Increase - Contracted



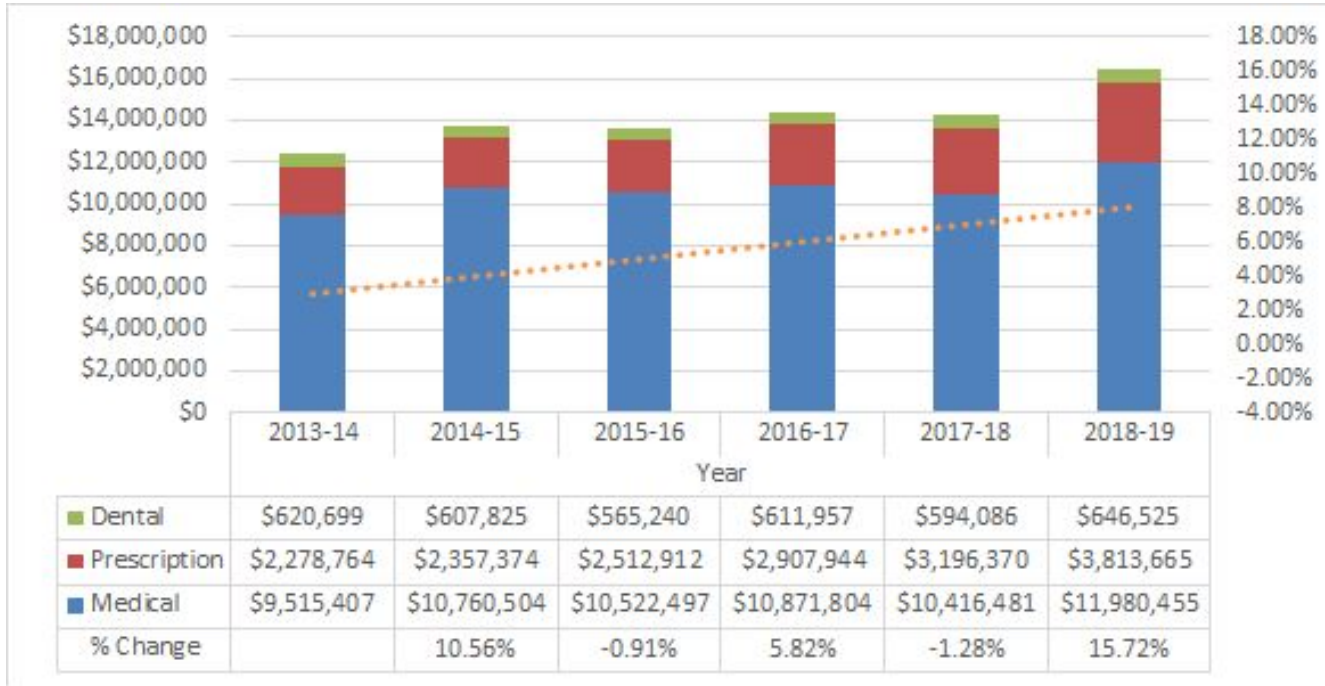
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
MTEA	2.5	2.5	2.5	3.0	2.38	2.31	IBB
APSMT	1.5	1.75	2.89	2.75	2.5	2.25	2.5
CWA Drivers	1.0	1.25	2.0	2.0	2.0	2.5	2.5
CWA Assistants	1.0	1.25	.40/hr	.40/hr	.40/hr	.40/hr	.40/hr
Unaffiliated	1.5	1.75	2.7	2.7	2.38	2.5	2.38



Payroll as % of Tax Levy



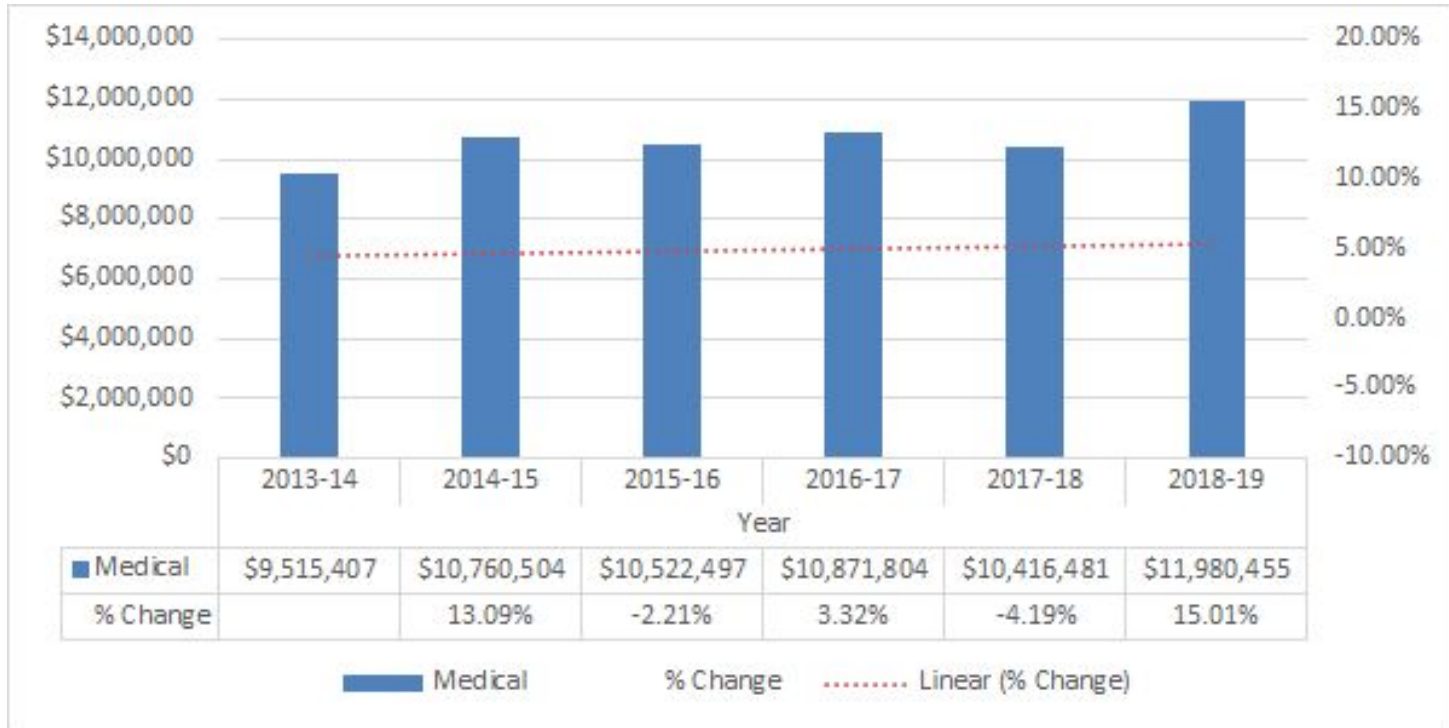
Health Benefits



Note: 2015-2016 moved to state medical plan, 2017 moved to Horizon with 15% cap 2018-2019



Medical Insurance



Note: 2015-16 year change from private to state, 2017-18 state to private, and 2018-2019 contractually capped at 15%

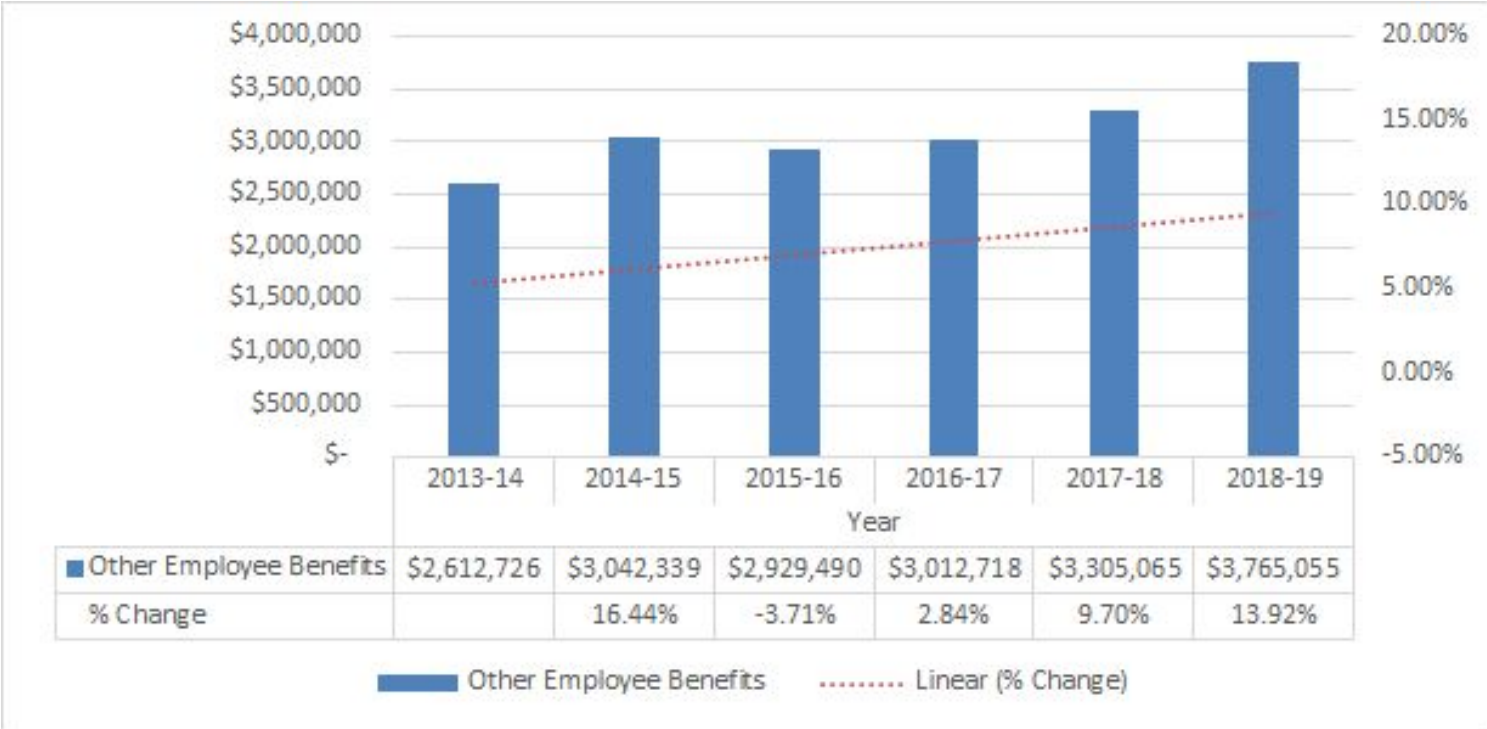


Payroll and Benefits as % of Tax Levy





Other Employee Benefits

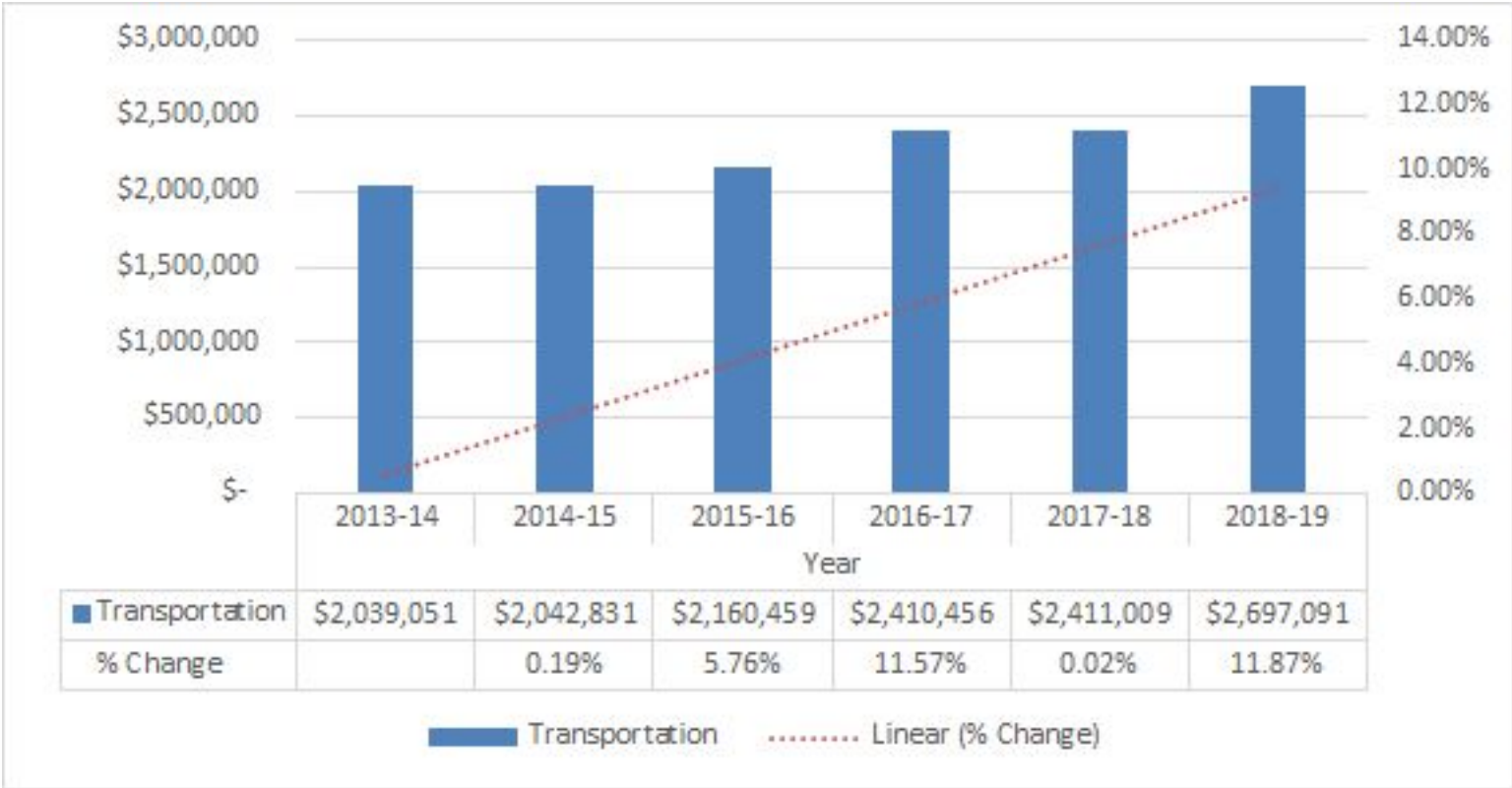


Note: District share of PERS contribution, FICA, employee tuition, workers compensation, employee retirement benefits.

Facilities

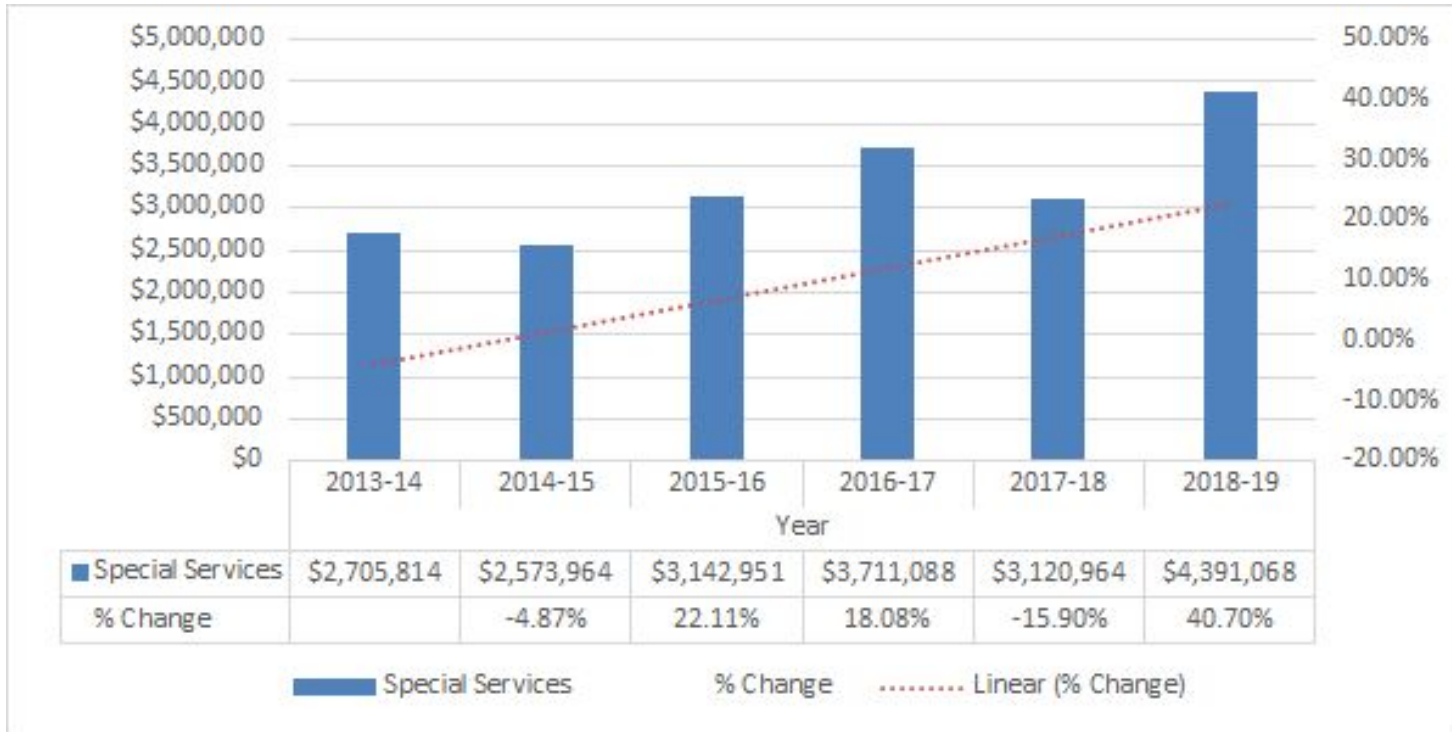


Transportation





Special Education



Note: 2016-17 initial investment in ESS. 2017 - 2019 benefitted by reduced growth in outside placement costs

Estimated 5 Year Capital Plan

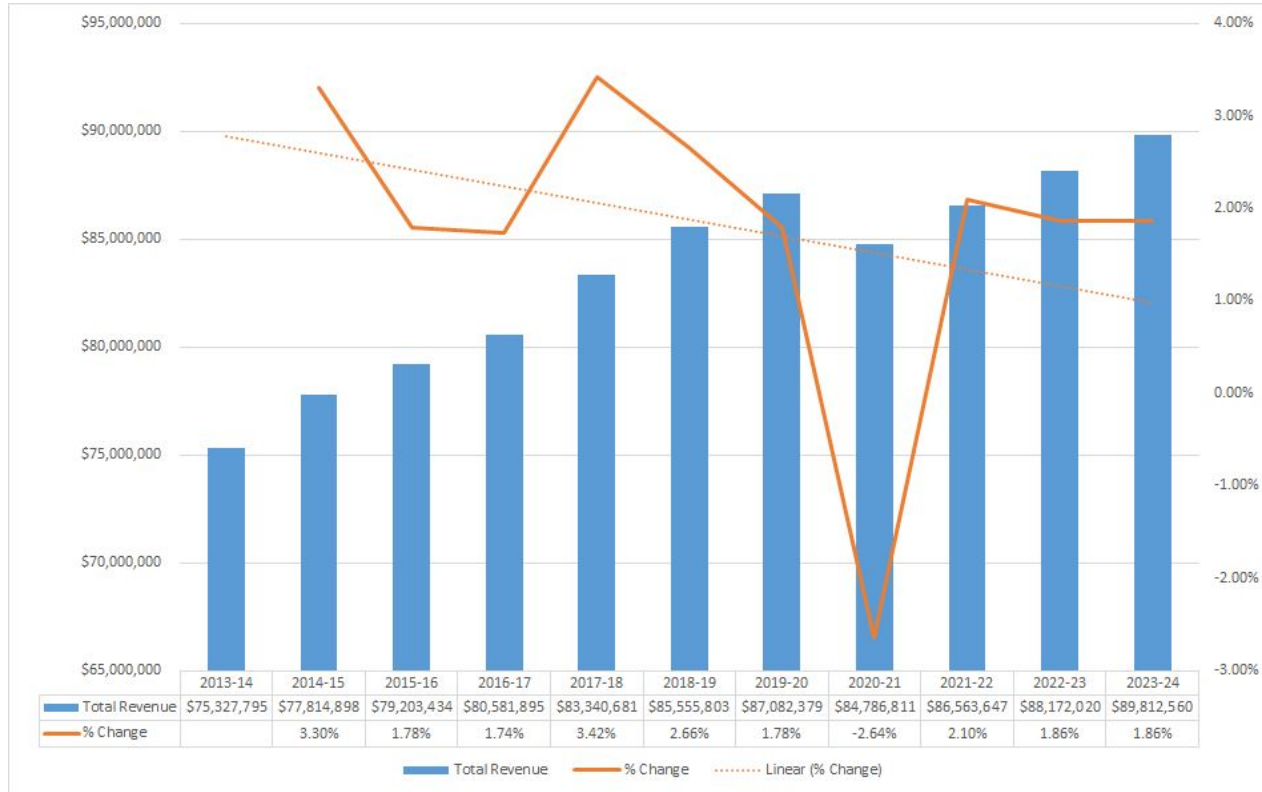


	<u>2019-20 Budget</u>	<u>2020-21 Budget</u>	<u>2021-22 Budget</u>	<u>2022-23 Budget</u>	<u>2023-24 Budget</u>
OHES	225,000	525,000	425,000	365,000	75,000
VES	850,000	1,225,000	68,000	75,000	50,000
LMS	550,000	625,000	575,000	375,000	50,000
UMS	1,700,000	175,000	775,000	325,000	65,000
MHS	330,000	,250,000	1,550,000	1,450,000	1,275,000
GRAND TOTAL	3,655,000	3,800,000	5,393,000	2,590,000	1,515,000

Note: Five Year Estimated Total: \$16,953,00. Historic referendum 40% matched by State for qualifying projects

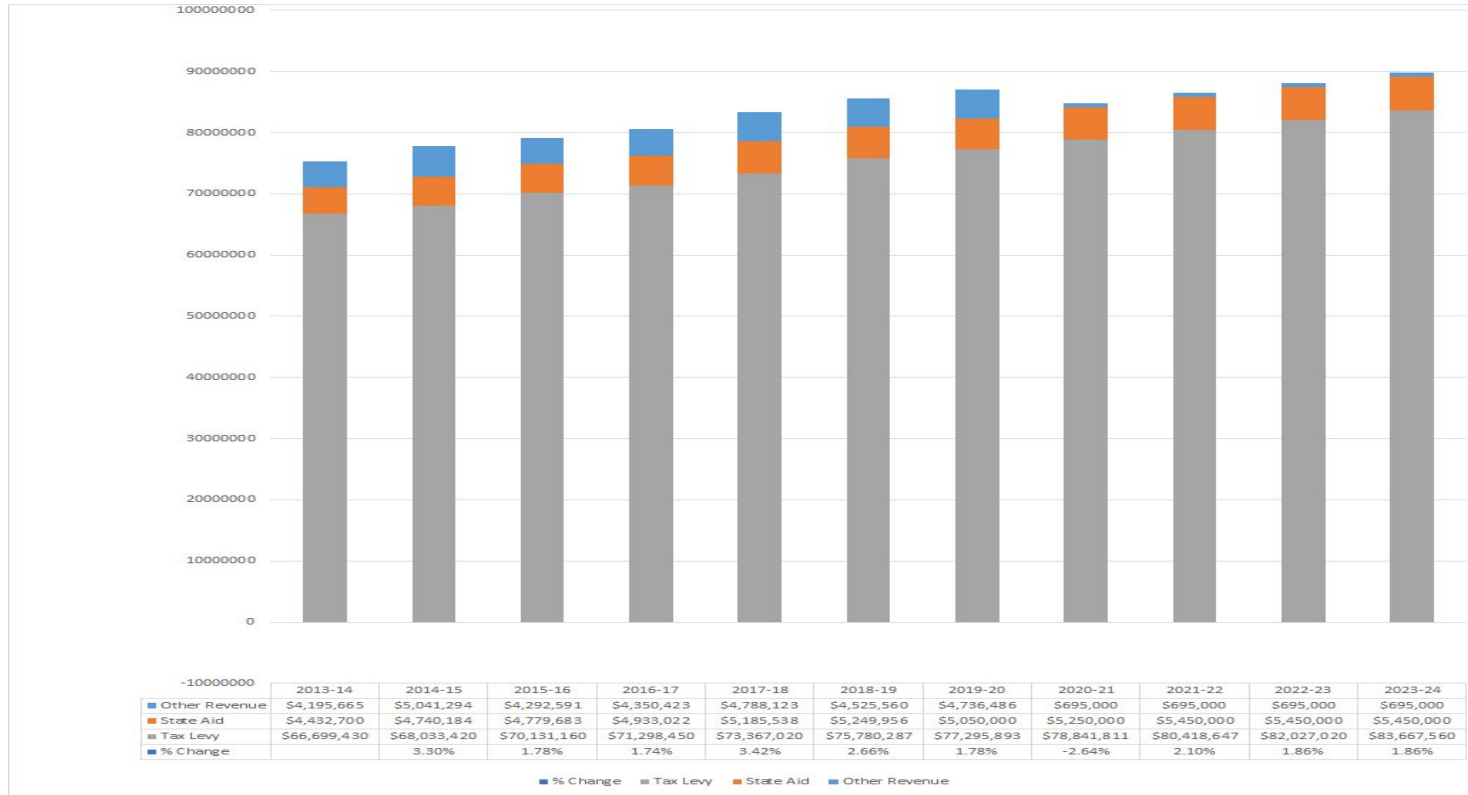


Total Revenues: “As Is Projected”



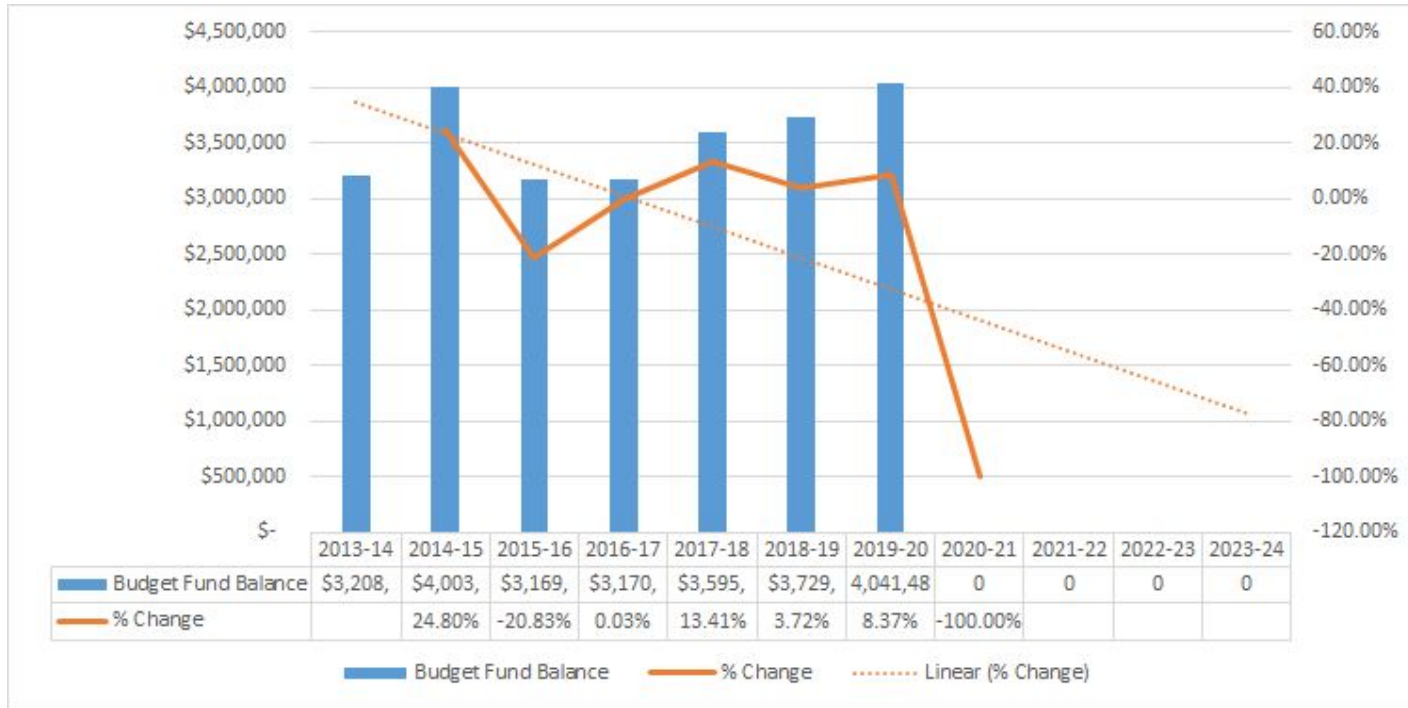


Revenue Sources: “As Is Projected”



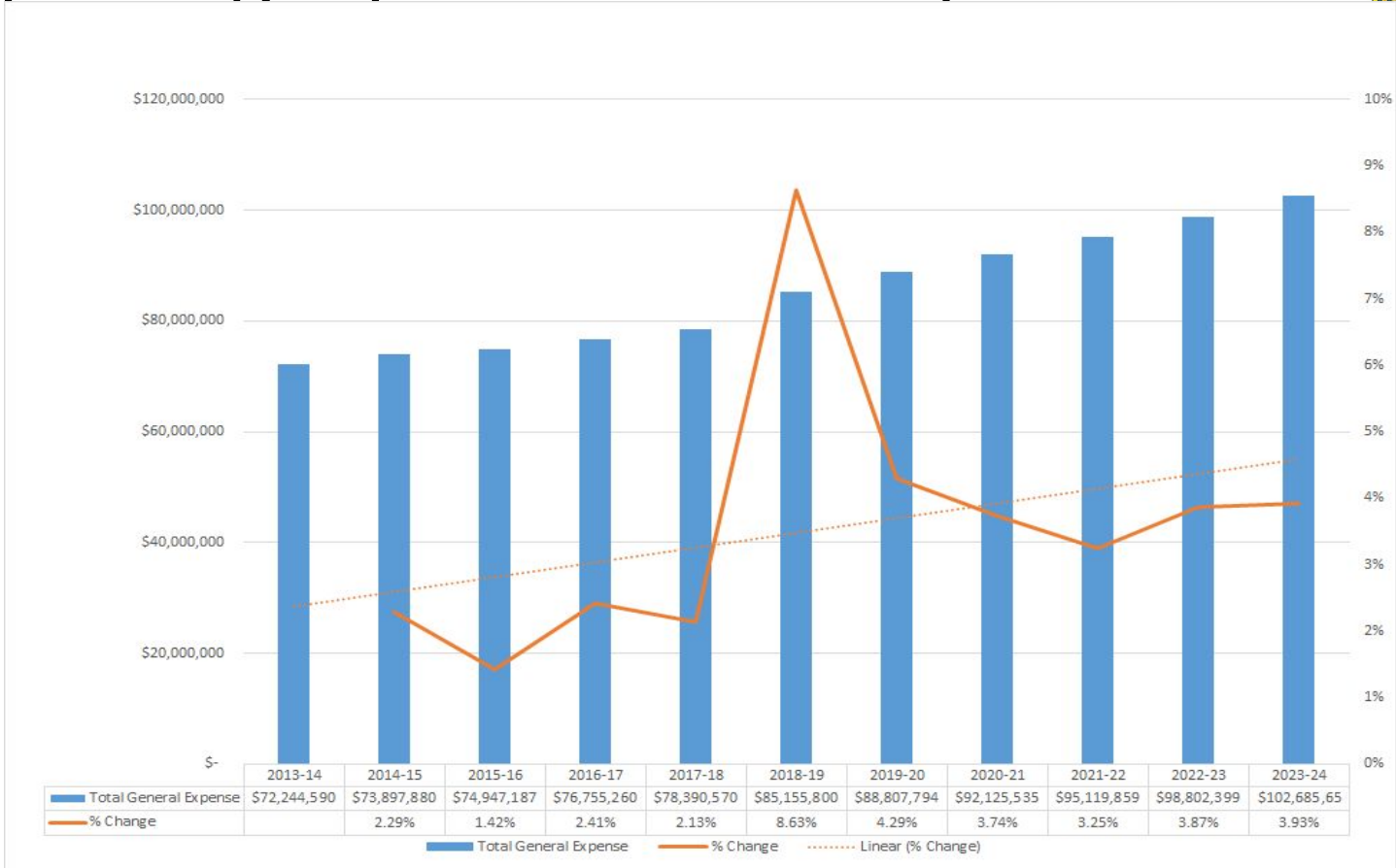


Budgeted Fund Balance: “As Is Projected”

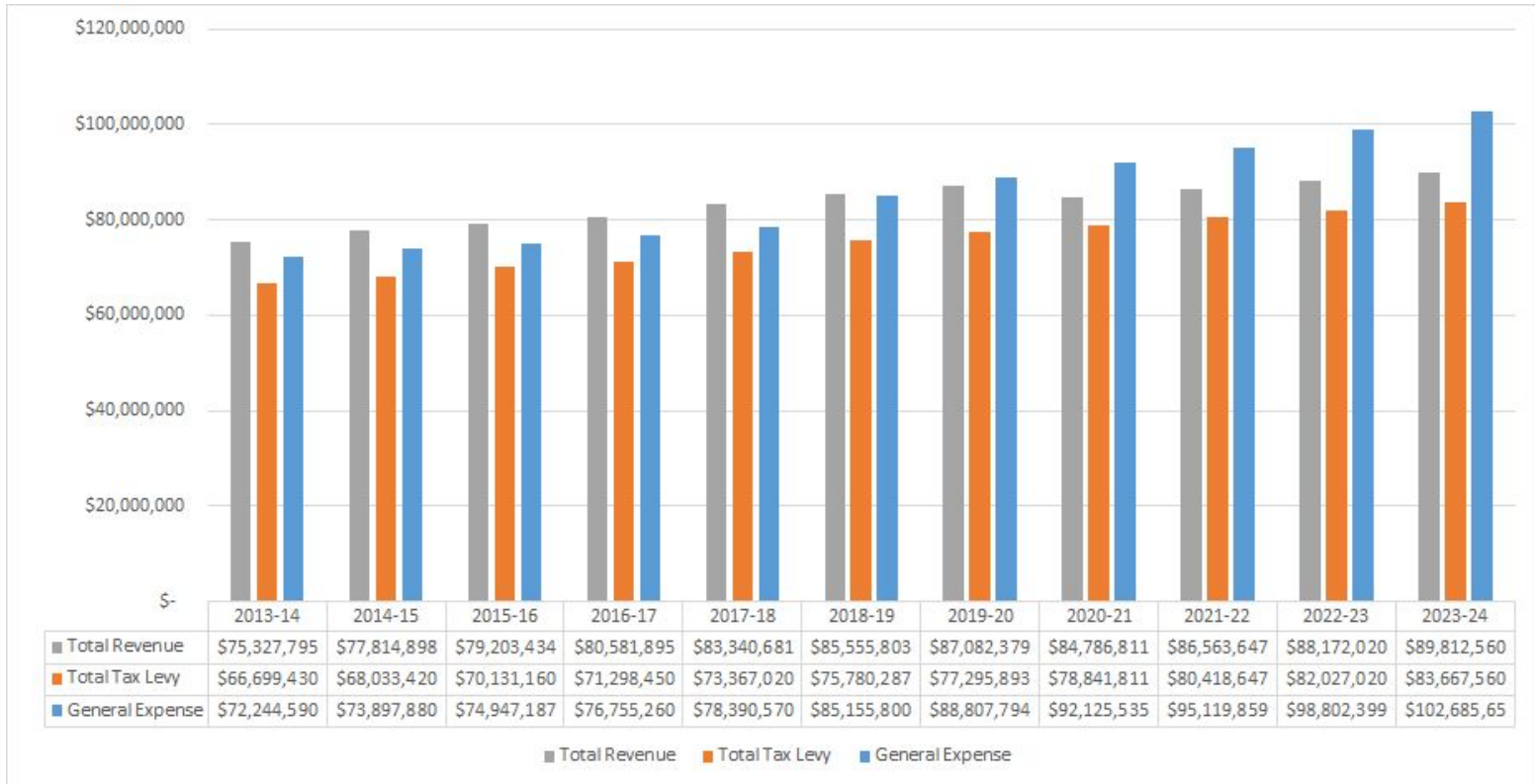


Note: 17-18 one time saving from h/c to Horizon, 18-19 additional state aid 180k, unspent saving for strategic planning from 17-18 h/c saving

Operating Expenses: "As Is Projected"

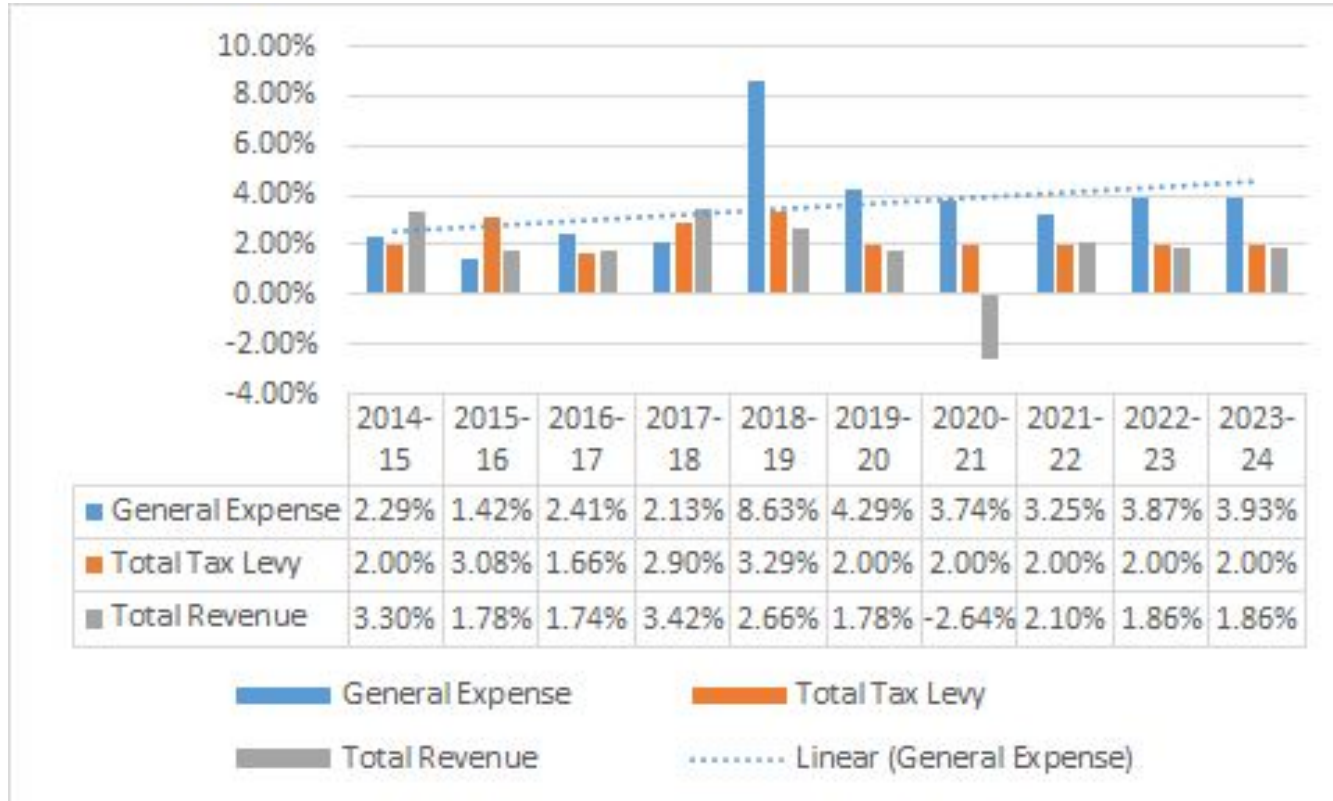


Revenues vs Expenses \$: "As Is Projected"



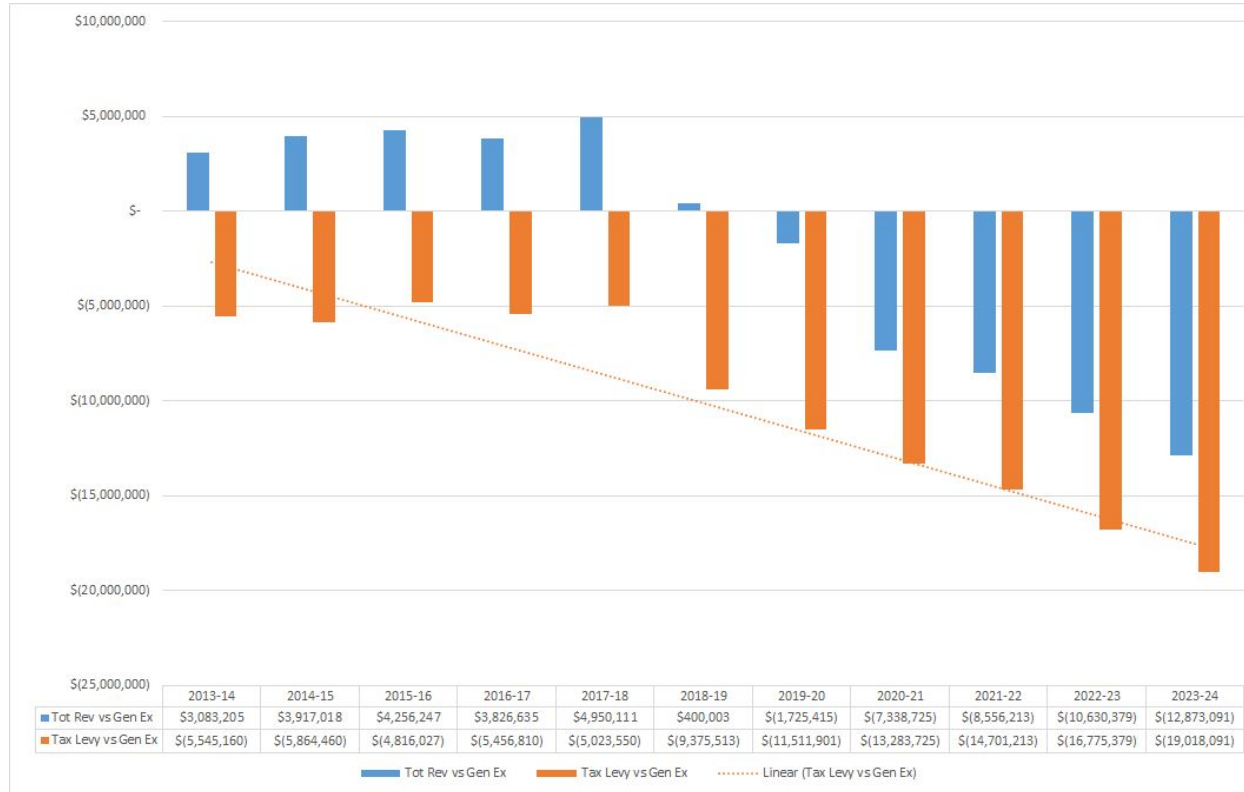


Revenues vs Expenses % Growth Comparison: “As Is Projected”





Revenues vs Expenses \$ Gap: "As Is Projected"



Revenues: “As Is Projections”



	BUDGET	PROJECTIONS				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
TAX LEVY	75,780,287	77,295,893	78,841,811	80,418,647	82,027,020	83,667,560
STATE AID	4,849,956	5,050,000	5,250,000	5,450,000	5,450,000	5,450,000
BUDGET FUND BALANCE	3,729,335	4,041,486	0	0	0	0
MISC	512,846	525,000	525,000	525,000	525,000	525,000
OTHER FUNDS	110,000	0	0	0	0	0
TUITION	147,760	150,000	150,000	150,000	150,000	150,000
FEDERAL	25,619	20,000	20,000	20,000	20,000	20,000
TOTAL REVENUE	85,155,803	87,082,379	84,786,811	86,563,647	88,172,020	89,812,560

Expenses: “As Is Projections”



	BUDGET	PROJECTIONS				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
SALARIES	52,535,643	53,954,105	55,410,866	56,906,960	58,443,448	60,021,421
HEALTH BENEFITS	13,474,305	14,503,742	15,611,828	16,804,571	18,088,441	19,470,398
FACILITIES	4,481,186	4,481,186	4,481,186	4,481,186	4,481,186	4,481,186
UNALLOCATED BENEFITS	3,765,055	3,915,657	4,072,283	4,235,175	4,404,582	4,580,765
OTHER DISCRETIONARY	2,028,608	2,028,607	2,028,607	2,028,607	2,028,607	2,028,607
TRANSPORTATION	2,697,091	2,831,946	2,973,543	3,122,220	3,278,331	3,442,248

Expenses: “As Is Projections”



	BUDGET	PROJECTIONS				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
OUT OF DISTRICT TUITION	3,065,344	3,341,225	3,641,935	3,969,709	4,326,983	4,716,412
ADMINISTRATIVE SERVICES	1,171,951	1,195,390	1,219,298	1,243,684	1,268,557	1,293,929
SPECIAL SERVICES	1,325,724	1,445,039	1,575,093	1,716,851	1,871,368	2,039,791
CO/EXTRA-CURRICULAR	388,937	388,937	388,937	388,937	388,937	388,937
CURRICULUM & INSTRUCTION	221,959	221,959	221,959	221,959	221,959	221,959
DEFERRED		500,000	500,000			
TOTAL	85,155,803	88,807,794	92,125,535	95,119,859	98,802,399	102,685,651

Revenues vs Expenses: “As Is Projections”



	BUDGET	PROJECTIONS				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
REVENUES	\$85,155,803	\$87,082,379	\$84,786,811	\$86,563,647	\$88,172,020	\$89,812,560
EXPENSES	\$85,155,803	\$88,317,329	\$91,087,516	\$93,472,049	\$96,476,989	\$99,608,806
NET	\$0	(\$1,234,950)	(\$6,300,705)	(\$6,908,402)	(\$8,304,969)	(\$9,796,246)



Community Interest Expressed

- Maximizing efficiencies and effectiveness
- Evaluating areas of educational investment - representative
 - Augmentation and additional content offerings
 - School start times and busing
 - Expanded college and career counseling capability - return on education
 - Expanded guidance counseling - behavioral health
 - Full day kindergarten



The Art of the Possible



Thank you!