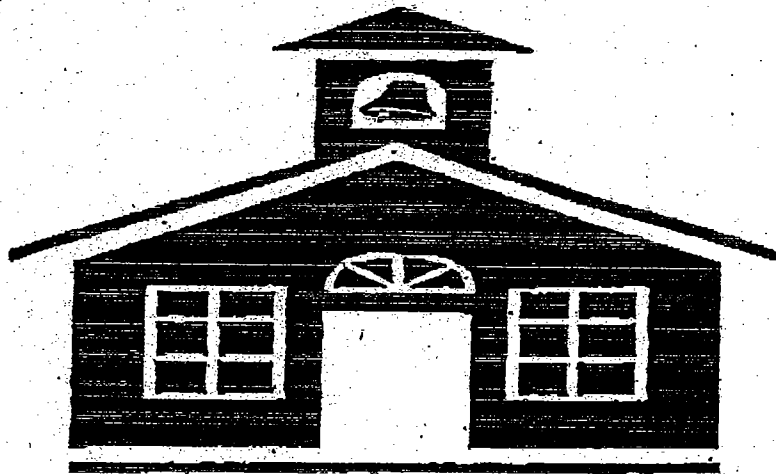


Appendix A

Beineman and Kirtland Report

**A Preliminary Study To Determine
The Feasibility Of Seaside Park's
Withdrawal From, Or Dissolution Of,
The Central Regional School District**



**Donald E. Beineman, Ed.D.
James L. Kirtland, C.P.A.**

April 2005

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I. Introduction

In 2004, after decades of dissatisfaction with its grossly disproportionate tax burden in supporting the Central Regional School District, the Borough of Seaside Park retained independent experts Dr. Donald E. Beineman and James L. Kirtland, CPA, to prepare a preliminary study of the educational and financial impacts of the lawful alternatives to the current arrangement. Dr. Beineman and Mr. Kirtland considered the educational and financial impacts, respectively, of a number of scenarios. First, they evaluated a withdrawal from Central Regional, and entrance into a sending-receiving relationship to send its grade 7-12 students there or elsewhere. They also evaluated a possible dissolution of Central Regional, should a majority of the five communities served by same pursue it, whereby those communities could educate their children on a sending-receiving basis at the same facility, to be operated by Berkeley Township as part of a K-12 District, or arrange for a sending-receiving relationship with another school.

Central Regional was formed in 1950, and presently serves as a limited purpose regional school district educating students from Berkeley Township, Island Heights, Ocean Gate, Seaside Heights and Seaside Park in grades 7-12. Originally, when Central Regional was formed, the tax levy to support operational costs was to be apportioned based upon district pupil enrollment. However, following a change in the law, long after Central Regional had been formed, all tax levies were changed so that the regional district's tax levies are apportioned based upon the equalized value of real estate. This revision significantly increased the cost for Seaside Park and Island Heights in supporting Central Regional, to such an extent that Seaside Park and Island Heights have been paying, and continue to pay, a disproportionate share of the costs.

More specifically, the per pupil tax levy for Central Regional for 2005-2006 would be \$11,360. The other four communities' tax levies, calculated on a per pupil basis, range from \$5,525 per pupil to \$11,800 per pupil; meanwhile, for the 2005-2006 school year, Seaside Park would be paying the extraordinary cost of \$51,150 per pupil.

The purpose of this study was to identify for the municipal and school officials in Seaside Park the educational and financial implications of a proposed reconfiguration in a withdrawal or dissolution scenario. In analyzing the educational impact of the proposed reconfigurations, Dr. Beineman visited the schools operated by the constituent districts and Central Regional. Educational staff were interviewed, and materials related to program and curriculum were reviewed. On the basis of the analysis, Dr. Beineman has concluded that all the proposed reconfigurations would meet New Jersey's educational requirements, and would provide an opportunity for a thorough and efficient education for all the students currently served by Central Regional. In conducting the financial analysis, the property tax impact of each alternative configuration is estimated and compared to the status quo scenario. The relative financial impact of each option was obtained by comparing a community's average tax levy and average tax rate to those estimated for the status quo scenario.

Significantly, all five of these communities would benefit in a dissolution scenario. Nonetheless, be the result a withdrawal or a dissolution, Seaside Park would no longer be paying more than the cost of educating its own pupils. Thus, a withdrawal from, or a dissolution of, Central Regional will save Seaside Park taxpayers over \$1,700,000 each year.

As set forth herein, the global benefits of dissolution for all of the constituent communities exceed the benefits available should Seaside Park have to act alone and withdraw. Thus, the recommendation is that Seaside Park share this analysis with the other constituent districts and seek the cooperation of a

II. Educational Analysis of Options

A. Community Descriptions

The Central Regional High School District and its constituent elementary school districts of Berkeley Township, Island Heights, Ocean Gate, Seaside Heights, and Seaside Park are located in Ocean County, the fastest growing county in New Jersey. Seaside Park and Seaside Heights are located on a barrier island between the Atlantic Ocean and Barnegat Bay. Island Heights is on the mainland and is surrounded by Dover Township on two sides and the Toms River on the remaining two sides. Ocean Gate is surrounded by Berkeley Township on three sides and the Toms River on the north. Berkeley Township is by far the largest of the constituent districts and is home to the Central Regional High School District. The following table provides 2000 Census descriptors for each of the constituent districts.

**Table 1
Demographic Characteristics**

	Berkeley Township	Island Heights	Ocean Gate	Seaside Heights	Seaside Park
Population (2000)	39,991	1,751	2,076	3,155	2,263
Race/Origin					
White	38,833	1,712	2,004	2,838	2,213
African-American	519	2	20	127	6
American Indian/Alaskan Native	16	8	3	20	8
Asian	181	11	20	27	14
Pacific Islander	4	0	0	0	2
Other Race	173	1	11	37	4
Two or more Races	265	17	18	106	16
Hispanic Origin	932	24	49	306	52
Age					
Under 5 years	1,089	84	144	238	107
5-18	2,311	308	396	498	218
18-65	14,627	1,056	1,236	2,071	1,370
65 and over	20,806	303	300	348	568
Median Age	66.3 years	43.0 years	36.9 years	33.3 years	46.8 years
Educational Attainment					
High School Graduate or higher	72.4%	90.8%	81.3%	76.3%	88.0%
Bachelor's Degree of higher	10.3%	33.4%	7.3%	15.6%	33.8%
Income					
Per Capita Income	\$22,198	\$26,975	\$19,339	\$18,665	\$30,000
Median Household Income	\$32,134	\$61,125	\$41,067	\$25,963	\$45,390
Median Family Income	\$40,208	\$72,596	\$50,847	\$27,197	\$58,636
Housing Units					
Total Number	22,268	807	1152	2,840	2,811
Occupied Units	19,828	705	832	1,408	1,127
Owner Occupied Units	18,423	616	579	397	697
Renter Occupied Units	1,405	89	253	1,011	448
Median value of single family home	\$102,100	\$167,400	\$101,500	\$124,400	\$215,100
Median Rent	\$774	\$830	\$819	\$635	\$718

1. Cohort Survival Ratios

Table 2
 Cohort Survival 2000-01 - 2004-05
 Berkeley Township School District

Year	Births 5 Yrs. Earlier	SR	K	SR	1	SR	2	SR	3	SR	4	SR	5	SR	6	Total
00-01	197	1.09	215		238		228		242		265		278		273	1739
				1.17		1.09		1.12		1.09		1.09		1.09		
01-02	273	.83	226		251		260		249		271		289		304	1850
				1.06		.95		1.03		1.02		1.01		.99		
02-03	296	.82	244		239		238		264		257		273		287	1802
				1.01		.95		1.01		1.06		1.03		1.00		
03-04	195	1.26	245		247		228		253		267		265		272	1777
				1.01		.99		.89		.96		.93		.90		
04-05	216	1.18	255		248		245		219		226		248		239	1680
Average SR		1.036		1.063		.995		1.013		1.033		1.015		1.00		

Table 4
Cohort Survival 2000-01 to 2004-05
Ocean Gate School District

Year	Births 5 Yrs. Earlier	SR	K	SR	1	SR	2	SR	3	SR	4	SR	5	SR	6	Total
00-01	33	.97	32		30	.83	21	.81	27	.96	25	.92	22	.77	20	177
01-02	25	1.20	30	1.06	34		25		17		26		23		17	172
02-03	29	.97	28	.37	11	.76	26	1.04	26	.88	15	.73	19	1.00	23	148
03-04	28	.79	22	.71	20	1.36	15	.92	24	.85	22	.87	13	.79	15	131
04-05	36	.56	20	1.00	22	.80	16	1.00	15	.83	20	.91	20	.85	11	124
Average SR		.90		.79		.94		.94		.88		.86		.85		

Table 6
Cohort Survival 2000-01 to 2004-05
Seaside Park School District

Year	Births 5 Yrs. Earlier	SR	K	SR	1	SR	2	SR	3	SR	4	SR	5	SR	6	Total
00-01	34	.44	15		17		19		22		25		20		18	136
				.93		.88		.89		.82		.76		.65		
01-02	19	1.00	19		14		15		17		18		19		13	115
				1.05		1.00		.87		.76		.83		1.00		
02-03	17	1.12	19		20		14		13		13		15		19	113
				1.00		1.00		.86		1.08		1.08		.93		
03-04	14	1.21	17		19		20		12		14		14		14	110
				1.00		.68		1.00		.83		.93		1.07		
04-05	22	.82	18		17		13		20		10		13		15	106
Average SR		.918		.995	.89	.905	.873	.903	.913							

2. Special Education

The following table indicates the enrollments of students classified as learning disabled in one of the categories recognized by the Department of Education.

	Berkeley Township	Island Heights	Ocean Gate	Seaside Heights	Seaside Park	Central Regional
Year	K-6	K-6	K-6	K-6	K-6	7-12
2000 - 01	97	0	34	29	0	334
2001 - 02	80	0	36	56	0	365
2002 - 03	101	0	40	55	0	477
2003 - 04	103	0	39	32	0	440.5
2004 - 05	230	7	28	66	0	371.5

While it is difficult to predict special education enrollment with complete accuracy, as a basis for the estimation of special education enrollment for the next five years, the percentage of the total enrollment for the grade levels involved was computed for the above five years. The average of those percentages was used to predict special education enrollment for the next five years.

	Berkeley Township	Island Heights	Ocean Gate	Seaside Heights	Seaside Park	Central Regional
Year	K-6	K-6	K-6	K-6	K-6	7-12
2000 - 01	5.3%	0.0%	16.5%	10.5%	0.0%	16.5%
2001 - 02	4.1%	0.0%	17.2%	18.4%	0.0%	16.9%
2002 - 03	5.3%	0.0%	21.3%	17.9%	0.0%	20.3%
2003 - 04	5.5%	0.0%	22.9%	11.4%	0.0%	19.5%
2004 - 05	12.04%	6.8%	18.4%	23.3%	0.0%	16.8%
Average %	6.45%	6.8%	19.26%	16.3%	0.0%	18%

Table 9
Projected Enrollment 2004-05 to 2009-10
Island Heights School District

Year	Births 5 Yrs. Earlier	K	1	2	3	4	5	6	Sub- Total	Spec. Ed.	Total
2004-05	20	16	16	13	17	10	8	16	96	7	103
2005-06	16	12	15	16	13	15	8	8	87	6	93
2006-07	14	10	11	15	16	11	12	8	83	6	89
2007-08	9	7	9	11	15	14	10	12	78	6	84
2008-09	15*	11	7	9	11	13	12	10	73	5	78
2009-10	15*	11	10	7	9	10	11	12	70	5	75

* Average of previous four years

Table 9 demonstrates a slow steady decline throughout the period of the projection.

Table 11
Enrollment Projection 2004-05 to 2009-10
Seaside Heights School District

Year	Births 5 Yrs. Earlier	K	1	2	3	4	5	6	Sub- Total	Spec. Ed.	Total
2004-05	60	35	36	27	16	23	30	26	193	66	259
2005-06	64	43	30	32	19	14	22	34	194	38	232
2006-07	53	36	37	28	23	17	13	25	179	35	214
2007-08	67	45	31	33	20	20	16	15	180	35	215
2008-09	61*	41	38	28	24	18	19	18	186	36	222
2009-10	61*	41	35	34	20	21	17	21	189	37	226

*Average of previous four years

Table 11 shows a decline, followed by a growth, in enrollment throughout the period of the projection.

Table 13
Enrollment Projection 2004-05 to 2009-10
Central Regional High School District

Year	Total All 6th Grades	7	8	9	10	11	12	Sub-Total	Spec. Ed.	Total
2004-05	307	322	341	356	306.5	263	254	1842.5	371.5	2214
2005-06	319	282	322	356	336	251	266	1813	398	2211
2006-07	284	293	282	336	336	276	254	1777	390	2167
2007-08	275	261	293	295	318	276	279	1722	378	2100
2008-09	306	253	261	306	279	261	279	1639	360	1999
2009-10	319	282	253	273	289	229	264	1590	349	1939

Table 13 shows a steady decline in enrollment for the period of the projection.

across New Jersey have been identified by the NJDOE as not meeting the annual student performance improvement goals required by NCLB.

Further, these districts have all met the standards to receive Level I (highest) monitoring approval by the NJDOE. This periodic evaluation process looks at 58 indicators within nine main elements covering student performance, staff certification, special programs, grants, facilities, and finance.

Consistent with monitoring approval, the districts all have five-year curriculum review plans, technology plans, Multi-Year Equity Plans, comprehensive maintenance plans, special education plans/policies, and a myriad of other planning tools and instruments that align to various NJDOE models and/or expectations.

Accordingly, each of the six school districts is a credible public education entity. If Seaside Park is permitted to withdraw, the constituent districts will be in essentially the same situation that they are now. Each will continue to operate their elementary school(s) and send their 7-12 grade students to the regional schools. Seaside Park will maintain its elementary school program and send its 7-12 grade students to another middle and high school.

1. Elementary Schools

A basic program for all children includes reading, mathematics, language arts, science and social studies. In addition, children study art, music, library skills, health education and physical education. The use of computers varies from school to school, but all students are afforded some opportunity to learn about, and use, computers. Programs are available for students who need help in basic skills and for students who are classified and need individual educational programs. Guidance and counseling programs are available, but the degree of sophistication varies from district to district. The withdrawal of Seaside Park from the Regional District will not change the curriculum or educational services of the elementary schools in any of the constituent districts.

K-12 curriculum articulation among the constituent districts is modest at best. It appears that when students leave the elementary schools, they are no longer of concern. No follow-up could be discerned.

2. Central Regional Middle School

The Middle School enrollment is approximately 800 students in grades seven and eight. The school is organized to provide a teaming concept to assist students in making a smooth transition from elementary school to the regional middle school. Students are encouraged to pursue the curricular offerings of the school. If needed, a basic skills course is available in both language arts and mathematics. Average class size is in the low 20's, and 15.9% of the pupils receive special education and related services. The Middle School's 2002 GEPA scores for language arts were about the same as those of their DFG and statewide peers. Their scores on the mathematics section were better than their DFG counterparts, but below those of the statewide group.

Middle School Qualifiers¹

	Central Reg.	Toms River East Intermediate	Pt. Pleasant Boro Middle	Antrim Elem. Sch
Instructional Time	5 hrs. 26 min.	5 hrs. 20 min.	5 hrs. 41 min.	5 hrs. 31 min.
Aver. Class Size	18.5	26.1	25.9	17.2
Grade Organization	7 & 8	7 & 8	6-8	K-8
GEPA Results - 2004 (% Meeting Standard)				
Lang. Arts. Literacy	63.9%	76.4%	82.1%	88.1%
Mathematics	48.7%	67.3%	71.9%	82.0%
Science	75.3%	85.7%	89.6%	92.5%
Language Diversity				
English	97.6%	97.3%	99.6%	96.9%
Other Language	2.4%	2.7%	.4%	3.1%
Student Mobility Rate	9.0%	5.5%	2.7%	5.4%
Attendance Rate	92.6%	93.5%	93.4%	94.8%
Student/Faculty Ratio	15.7	14.7	12.4	11.0
District Per Pupil Cost	\$11,785	\$9,533	\$9,040	\$11,142
Estimated Distance from Seaside Park	15.94 miles	9.92 miles	15.48 miles	13.54 miles

¹ Source: 2003-04 New Jersey School Report Card

Post Graduation Plans**Class of 2003**

4 yr. College	31.0%	45.6%	49.2%	58.8%
2 yr. College	34.7%	38.3%	31.7%	35.6%
Other College	6.4%	—	6.6%	0.6%
Other Post-Sec. College	2.4%	2.9%	—	0.6%
Military	4.0%	3.4%	2.6%	2.5%
FT Employment	15.3%	6.2%	8.5%	1.9%
PT Employment	0.6%	1.3%	—	—
Unemployed	—	—	—	—
Other	5.6%	2.3%	1.4%	—

Language Diversity

English	97.7%	98.4%	99.2%	98.5%
Other	2.3%	1.6%	.8%	1.5%

Student Mobility Rate	9.3%	7.2%	5.5%	8.8%
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Attendance Rate	90.4%	92%	93.9%	92.1%
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Student/Faculty Ratio	13.8	13.2	11.1	11.2
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District Cost Per Pupil	\$11,785	\$9,533	\$9,040	\$11,142
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Estimated Distance from Seaside Park	15.94 miles	6.87 miles	15.48 miles	13.54 miles
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Should the withdrawal of Seaside Park be approved, or should Central Regional be dissolved, Seaside Park sixth grade graduating pupils shall attend the middle school and later the high school of the district with which a sending-receiving relationship is established. Students enrolled in the Regional District at the time of withdrawal should be given a chance to continue as tuition pupils until graduation if possible.

Table 15
Racial/Ethnic Enrollment by Grade In The
Island Heights School District
2003-04 School Year

<u>Grade</u>	<u>White</u>	<u>Black</u>	<u>Hispanic</u>	<u>Amer. Ind.</u> <u>Alask. Nat.</u>	<u>Asian</u> <u>Pac. Is.</u>	<u>Total</u>
K	16	0	0	0	0	16
1	15	0	0	0	0	15
2	20	0	0	0	0	20
3	13	0	0	0	0	13
4	15	0	0	0	0	15
5	18	0	0	0	0	18
6	8	0	0	0	0	8
Spec. Ed.	0	0	0	0	0	0
Total	105 - 100%	0	0	0	0	105

Table 17
Racial/Ethnic Enrollment by Grade In The
Seaside Heights School District
2003-04 School Year

<u>Grade</u>	<u>White</u>	<u>Black</u>	<u>Hispanic</u>	<u>Amer. Ind.</u> <u>Alask. Nat.</u>	<u>Asian</u> <u>Pac. Is.</u>	<u>Total</u>
Pre-K	11	4	7	0	0	22
K	28	10	11	0	1	50
1	19	5	5	0	1	30
2	19	4	7	0	1	31
3	18	3	5	0	0	26
4	21	3	3	0	0	27
5	20	4	3	0	0	27
6	22	3	0	0	0	25
Spec. Ed.	30	7	4	0	1	42
Total	188 - 67.2%	43 - 15.5%	45 - 16.2%	0	4 - 1.1%	280

Table 19
Racial/Ethnic Enrollment by Grade In The
Central Regional High School District
2003-04 School Year

<u>Grade</u>	<u>White</u>	<u>Black</u>	<u>Hispanic</u>	<u>Amer. Ind.</u> <u>Alask. Nat.</u>	<u>Asian</u> <u>Pac. Is.</u>	<u>Total</u>
7	378	17	22	0	3	420
8	363	15	20	0	5	403
9	366	18	23	0	4	411
10	358.5	12	15	0	2	387.5
11	267	11.5	11	1	1	291.5
12	283.5	15	15	0	1	314.5
Spec. Ed.	24	0	0	0	0	24
Total	2040 - 90.6%	88 - 3.9%	106 - 4.7%	1 - 0.04%	16 - 0.71%	2251.5

The student population of Central Regional High School reflects the total population of the communities it serves. Assuming a racial/ethnic composition as set forth in Table 18, and the relative number of Seaside Park students, their departure over a period of six years will have no significant impact upon the racial/ethnic distribution of the student body at the Regional School District.

are independent of whether the withdrawal occurs. The results are expressed in terms of average property tax levies and average tax rates, and any changes therein, for the communities of Berkeley Township, Island Heights, Ocean Gate, Seaside Heights, and Seaside Park. The results are calculated assuming full implementation at the beginning of the 2005-2006 school year. This analysis does not consider the likely phase-out over a period of years in order to reflect the full financial impact, over the five-year period, on each community. This offers better information to make a decision in that it reflects the full long-term impact.

In developing this analysis, the following activities were completed.

- Review of the Comprehensive Annual Financial Report, which includes the Independent Auditor's Report on the general purpose financial statements of the Central Regional School District for each of the three years ended June 30, 2002, 2003, 2004.
- Review of the Comprehensive Annual Financial Report, which includes the Independent Auditor's Report on the general purpose financial statements of the Berkeley Township School District for each of the three years ended June 30, 2002, 2003, 2004.
- Review of the Comprehensive Annual Financial Report, which includes the Independent Auditor's Report on the general purpose financial statements of the Island Heights School District for each of the three years ended June 30, 2002, 2003, 2004.
- Review of the Comprehensive Annual Financial Report, which includes the Independent Auditor's Report on the general purpose financial statements of the Ocean Gate School District for each of the three years ended June 30, 2002, 2003, 2004.
- Review of the Comprehensive Annual Financial Report, which includes the Independent Auditor's Report on the general purpose financial statements of the Seaside Heights School District for each of the three years ended June 30, 2002, 2003, 2004.
- Review of the Comprehensive Annual Financial Report, which includes the Independent Auditor's Report on the general purpose financial statements of the Seaside Park School District for each of the three years ended June 30, 2002, 2003, 2004.
- Review of the historical enrollment data and projected enrollment numbers for each district. Communicated with the business administrators of each of the districts to acquire additional relevant data concerning the proposed alternatives, and, where appropriate, to review the process being used.
- Review the New Jersey Department of Education School Report Cards, State Aid information, equalized property values, and other relevant data for each of the Districts, as set forth in various Internet data bases operated by the State of New Jersey.
- Telephone conference with the New Jersey Department of Education representative regarding the possible implications to State Aid available to the constituent districts if the Central Regional District is dissolved.

Berkeley Township School District. In the second dissolution scenario, it is assumed that Seaside Heights and Seaside Park will send grades 7-12 to Toms River. This is done not to identify which communities might leave or where they might send their students, but to show the impact on the costs at Berkeley Township if all of the current students do not continue to attend. It also will show that tuition rates that are lower than those at Berkeley Township can improve the results for those that choose to do this. It is not an indication that lower tuition rates will be negotiated between the parties, but should provide assistance in analyzing the issues.

B. KEY ASSUMPTIONS

The analysis of the financial impact relied on a comprehensive set of assumptions. Among the more significant of these assumptions are the following:

- Each community's tax levy and rate were estimated for purposes of comparing alternative configurations only and not to approximate the actual future tax levy and rate.
- Estimates of revenues, expenses, tax levies and tax rates were expressed in "2004 real dollar" terms. This assumption facilitates comparison of the alternatives.
- Estimates of future enrollment were prepared using the cohort survival method as described in N.J.A.C. 6:3-7.1, et seq. and are based on a four-year average cohort. This assumes that the cohorts, including the underlying cohorts that impact seventh grade, for each community will continue into the future.
- State Aid for each District, before and after reconfiguration, will approximate the rate of funding that existed, or would have existed, in the districts in the 2003-2004 school year, assuming each had existed in the 2001-2002 school year.
- State Aid for existing debt service will continue at the 2003-2004 rate.
- Educational programs of the districts were assumed to be equivalent to those that existed in Central Regional and in the respective constituent districts during the 2003-2004 school year.
- Instruction in the districts after withdrawal or dissolution was assumed to involve approximately the same number of certificated staff per pupil as in Central Regional and in the respective constituent districts during the 2003-2004 school year. Any projected increase or decrease in certificated staff will be at the approximate median staff salary, which reflects a long-term average cost rather than the specific salary of a new hire or a departing staff member.
- The current method of apportioning the current expenses of Central Regional, based on allocated equalized property value, was used to allocate the Regional tax levy to the appropriate constituent districts.
- Equalized and assessed valuations were held at their 2003 levels over the period of the estimation.

For each community identified below, the tax levy and the savings or loss is expressed in thousands of dollars. The rates are expressed in dollars and cents per \$100 of equalized property valuation.

D. OPERATING EXPENDITURES OF REGIONAL DISTRICT

The operating expenses of the Central Regional District, as set forth below, are drawn from the Comprehensive Annual Financial Report for the Fiscal year ended June 30, 2004, prepared by the Central Regional Board of Education Business Office, which includes the independent auditor's report by William E. Antonides and Company, Certified Public Accountants.

Expenditures

Regular Instruction	\$ 6,932,938
Special Education Instruction	2,218,581
Other Special Instruction	23,866
Vocational Education	374,873
Other Instruction	862,739
Adult/Continuing Education	5,662
Undistributed Expenditures	
Tuition	1,899,091
Instruction Related Services	2,552,292
Administrative Services	2,669,500
Operations and Maintenance	2,637,375
Transportation	1,865,043
Unallocated Benefits	5,316,986
Special Schools	17,678
Capital Outlay	548,086
Debt Service	<u>1,100,427</u>
<u>Total Expenditures</u>	\$29,025,137

The distribution of the 2003-2004 operating expenses and debt service of Central Regional among the constituent communities is as follows:

Community	Percentage Share	General Fund	Debt Service
Berkeley Township	77.4579	\$21,629,892	\$852,367
Island Heights	4.1109	1,147,957	45,237
Ocean Gate	2.7428	765,919	30,182
Seaside Heights	5.6352	1,573,613	62,011
Seaside Park	0.0532	2,807,329	110,628
Total	100.0000	\$27,924,710	\$1,100,427

H. AMOUNT OF INDEBTEDNESS TO BE ASSUMED

The Comprehensive Annual Financial Report of the Central Regional District indicates that the District's indebtedness, consisting of serial bonds payable, totaled \$10,506,500 at June 30, 2004. This amount represents the total indebtedness of the Central Regional District related to buildings, grounds, furnishings, equipment, and additions thereto. As of that date, there are no authorized but not issued bonds. N.J.S.A. 18A: 13-53 instructs the County Superintendent to allocate the amount of this form of indebtedness "on the basis of the proportion which the replacement cost of the buildings, grounds, furnishings, equipment, and additions thereto of the regional district situated in the withdrawing district, or in each of the constituent districts in the event of a dissolution, bears to the replacement cost of the buildings, grounds, furnishings, equipment, and additions thereto situated in the entire regional district."

Since the buildings and grounds are situated in Berkeley Township, all of the debt is likely to be apportioned to the school district that operates in that community. This would continue to be the Regional District, if a withdrawal occurs, or a Berkeley Township K-12 district should dissolution occur.

I. DISTRIBUTION OF ASSETS AND LIABILITIES

N.J.S.A. 18A:13-53 also requires that the County Superintendent determine the amount of indebtedness and unfunded liabilities to be assumed by each community. This indebtedness represents liabilities not related to buildings grounds, furnishings, equipment, and additions thereto. The June 30, 2004 Comprehensive Annual Financial Report of the Central Regional District indicates an accounts payable total of \$288,195. Assuming a withdrawal and using the approach provided by N.J.S.A. 18A: 8-24, accounts payable are allocated among the constituent communities on the basis of a formula as described in statute, the results of which are presented below.

Community	Percentage Share	Accounts Payable
Seaside Park	10.0532	\$28,973
Regional District	89.9468	\$259,222
Total	100.0000	\$288,195

The Central Regional District does have some other liabilities that deserve special attention. The \$224,244 liability for compensated absences should probably be allocated to the districts where the employees will be based, after the proposed withdrawal or dissolution occurs, since these costs relate to individual employees. The liability of \$521,885, for capital leases relates to busses and computers, and should be considered as part of the net value of these assets to be allocated.

Assets, other than buildings, grounds, furnishings, equipment, and additions thereto, are allocated in a manner similar to the above accounts payable table. These include cash, accounts receivable, vehicles, library resources, textbooks, and supplies. The present value of the items approximates \$4,500,000 as of June 30, 2004. The withdrawing district, Seaside Park, would be entitled to 10.0532 percent, or \$452,000, while the balance would remain in the Central Regional District.

In the Union County Regional dissolution scenario, the courts opted for a distribution of the net liquid assets to those districts that did not receive buildings. Under this approach the net of \$4,200,000 would go to the other four districts as follows:

Under the second dissolution scenario, we assumed that the two Seasides would send their students elsewhere based upon conversations with local education officials. This results in a decrease of approximately 250 students. The result would be an increase in the tuition rate for students attending Berkeley Township. This modifies Island Heights' savings to about \$275,000 per year; turns the Ocean Gate savings to essentially a break even scenario (only a \$12,000 loss per year); and increases Berkeley Township's tax levy by approximately an additional \$565,000 over the prior dissolution scenario. Once again, this potentially negative impact would be controllable. By actively soliciting nonresident students on a tuition basis, individually or through sending/receiving relationships with nearby communities, Berkeley Township can eliminate or significantly reduce any tax increase caused by a reduction in students. This can all be accomplished within the capacity constraints of the current facility.

Seaside Heights would go from break even to a savings of about \$100,000 for every \$500 of tuition rate savings. Toms River, a nearby community, based on its School Report Card, shows a total comparative cost per pupil that is over \$1,000 less than the comparable amount for Central Regional. The total cost per pupil is over \$1,600 less. Therefore, an expectation that Seaside Heights could save over \$100,000 per year is reasonable.

Berkeley Township has enjoyed certain benefits that were created when the formula for tax levy allocation was changed by the Legislature. In addition, given the recent Supreme Court decision regarding North Haledon, it is not inconceivable that a similar result could occur in this situation. If that happens, Berkeley Township will end up absorbing well over 80% of whatever the savings might be to Seaside Park and Island Heights, which is also over-paying now. Ultimately, choosing an alternative now to avoid a more adverse financial outcome in the future might be worth considering for Berkeley Township. The other communities should consider a cooperative approach, with tuition arrangements and the \$4,200,000 in regional district assets as negotiating tools.

IV. Recommendations and Conclusions

The original intent of establishing the Central Regional School District was to provide the students from the constituent communities with a strong educational program with costs being shared equitably amongst the member communities. However, in time, the citizens of Seaside Park, without their consent, have been saddled with a disproportionate share of costs to operate Central Regional, a disparity which grows on an annual basis.

From an educational standpoint, Seaside Park's departure from Central Regional by way of either a withdrawal or dissolution would nonetheless permit it to offer its students a thorough and efficient education via a sending-receiving relationship with any number of local districts on a grade 7-12 basis. Similarly attractive educational opportunities would be available to the students from Island Heights, Ocean Gate and Seaside Heights should Central Regional be dissolved.

In addition to the educational opportunities, a proposed dissolution of Central Regional would result in a total annual tax savings for Seaside Park, Seaside Heights, Ocean Gate and Island Heights of over \$2 million. This does not translate to a \$2 million tax increase to Berkeley Township, although there would be some increase depending on the actual dissolution scenario. This negative impact would be controllable by the school district. By actively soliciting nonresident students on a tuition basis, it can eliminate or significantly reduce the tax increase that would be caused by constituent communities choosing not to send their students to Berkeley Township. Of course, the focus for Berkeley Township is not solely financial. Dissolution would result in the creation of a K-12 district for Berkeley Township, as it gains ownership of Central Regional's buildings and grounds, thus providing it with the opportunity to reduce overhead, transportation and other costs, and to coordinate building programs to provide a major benefit to its taxpayers as well. Furthermore, Berkeley Township would be restructured as a K-12 district which the Commissioner of Education, writing as chair of the Board of Review considering the Union County Regional High School District No. 1 dissolution in 1996, endorsed as follows:

The K-12 district structure is inherently more effective than the regional high school district because it provides for unified governance of educational policy as well as continuity of the curriculum and of the instructional process from kindergarten through grade 12.

Moreover, the K-12 structure is inherently more efficient because it requires fewer boards and central office administrators and therefore reduces per-pupil administrative costs, directs greater proportion of resources to instruction, and allows better coordination of system-wide decision making.

For the above reasons, the Executive and Legislative branches of government have aggressively encouraged all school districts in the State to move toward a K-12 structure...

Thus the dissolution of Central Regional is both feasible and beneficial. Berkeley Township would become a K-12 district and inherit the above-referenced educational and financial economies, and the other communities would have an opportunity for both tax savings and for the education of its grade 7 through 12 students in a K-12 district by virtue of sending-receiving relationships. However, should a majority of the constituents not agree to pursue dissolution, without question Seaside Park should pursue the financial benefits of withdrawal and enter into a sending receiving relationship with one of the districts analyzed herein.

Community	Percentage Share	Modified Share	Net Assets
Berkeley Township	77.4579	0.0000	\$0
Island Heights	4.1109	18.2365	765,933
Ocean Gate	2.7428	12.1675	511,035
Seaside Heights	5.6352	24.9986	1,049,941
Seaside Park	10.0532	44.5974	1,873,091
Total	100.0000	100.0000	\$4,200,000

Should dissolution occur, some or all of the "non-building" districts could choose to forego these assets as an incentive to Berkeley Township to take on the additional responsibility of running a K-12 school district.

J. SUMMARY OF ADVANTAGES AND DISADVANTAGES

From Seaside Park's perspective, withdrawal from or dissolution of Central Regional District will save it over \$1,700,000 each year. The differences between options are minor in relation to the overall impact. Therefore, alternative tuition rates from other districts have not been considered. A \$1,000 per student difference in tuition rates would only modify the projection by approximately \$50,000 per year, which is insignificant in terms of the large savings involved.

Withdrawal of Seaside Park from the Central Regional District, with its students still attending the Central Regional District on a sending/receiving basis, would result in a proportional negative financial impact on each of the other four constituent communities, as each would experience a tax increase. The heaviest impact would be on Berkeley Township, as it would pick up over 80% of the savings enjoyed by Seaside Park in the event of a withdrawal.

Though not reflected in a separate column in the above table, if Seaside Park chose to send its students to another district, there would be an additional increase in costs to the remaining four constituent districts because the fixed costs of the Central Regional District would now be spread over fewer students. This additional cost of approximately \$225,000 would be allocated amongst the constituent districts based on each communities' share of the regional tax levy. Berkeley Township would assume approximately \$190,000 of that total, with the balance spread amongst the other three communities.

However, this negative impact is controllable by Central Regional. By actively soliciting nonresident students on a tuition basis, it can turn a tax increase to a tax savings by averaging 75 nonresident students per year, paying tuition that approximates 80% of the costs. This can all be accomplished within the capacity constraints of the current school building.

The dissolution scenarios impact the various communities differently. The major difference is that the State is assumed to be contributing an extra \$1,200,000 of core curriculum standards aid to the two districts that now receive such aid at the K-6 level. This is a conservative estimate based on the simple application of the formulas currently in use by the Department of Education.

When compared to the status quo scenario, under the dissolution scenario where all five communities continue to send 7-12 grade students to the schools they now attend, Seaside Heights is basically breaking even; Ocean Gate saves just under 2%, approximately \$28,000; Island Heights saves over 12%, approximately \$295,000; while Berkeley Township's tax levy would go up just under 2%, or a little over \$660,000 per year.

E. EQUALIZED AND AVERAGE EQUALIZED VALUATION OF EACH COMMUNITY

The following equalized valuations are taken from the "Local Property Taxes-Table of Equalized Values-Ocean County" as provided by the New Jersey Division of Taxation.

Community	2003 Equalized Value	Three Year Average Equalized Value
Berkeley Township	\$3,790,128,406	\$3,285,991,044
Island Heights	218,994,122	190,317,623
Ocean Gate	157,256,549	131,934,894
Seaside Heights	360,211,082	303,728,953
Seaside Park	723,397,139	601,464,217
Total	\$5,249,987,298	\$4,513,436,731

F. BORROWING MARGIN FOR EACH CONSTITUENT DISTRICT

The borrowing margin for K-6 school districts, as set forth in N.J.S.A. 18A: 24-19, is calculated as 2.5 percent of the above average equalized values. The following table sets forth the available school borrowing margin. Under the proposed withdrawal, there will be no change in debt for any of the constituent districts. Therefore, the available borrowing margin for each constituent district will not decrease.

Community	Borrowing Margin	Net School Debt	Available Borrowing Margin
Berkeley Township	\$82,149,776	\$24,380,100	\$57,769,676
Island Heights	4,757,941	1,093,000	3,664,941
Ocean Gate	3,298,372	1,299,131	1,999,241
Seaside Heights	7,593,224	1,167,155	6,426,069
Seaside Park	15,036,605	0	15,036,605

Should dissolution occur, the Berkeley Township School District would become a K-12 district, and would have a borrowing margin equal to four percent of average equalized values. It would also pick up the debt of \$10,506,500 from the Regional District. The resulting Available Borrowing Margin for the Berkeley Township School District would increase to \$96,553,042.

G. REPLACEMENT COSTS

In order to allocate the indebtedness related to fixed assets, the statutes necessitate the estimation of the replacement cost of buildings, grounds, furnishings and equipment. This estimate is calculated by the Bureau of Facility Planning Services of the State's Department of Education. The methodology uses construction cost per square foot times the applicable square footage. The Regional District provided me with the square footage of approximately 463,000. Based on a telephone discussion with the Department of Education, the construction cost per square foot is \$143. The resulting estimated replacement value for the two schools of the Regional District is \$66,209,000. This amount will be used to allocate debt related to fixed assets. The land and buildings are located in Berkeley Township.