

Dear Friends, Neighbors and Community Members,

Attached are many of the answers to questions posed by the public and board members regarding the current budget. Please be aware that we will be adding to this document as we work together to ensure our students have the best education possible and preserve our excellent teachers.

Public Comment Questions for the March 18, 2020 Board of Education Meeting

Q: One of the BOE's main duties is to monitor the district's finances. Carol said she did not conduct an in depth analysis. Why?

A: The district finances are closely monitored in the central office by the BA. The auditors spent countless hours (June until November 2019) in the Board Office auditing the 18/19 records which were approved by the Board in May of 2018. The 19/20 budget was completed and approved in March 2019 by the interim BA Ron Smith (with the guidance of Dan Borgo) and the finance committee, Ms. Delsandro started in October 2019. The newly organized Finance committee had its first meeting on January 24th 2020 when we began the discussion regarding the 19/20 budget. At that meeting, the finance committee was made aware of potential budget challenges and we agreed to discuss further once we have actual numbers from Ms. Delsandro. Ms. Delsandro has been conducting in depth analysis of our budget since she started. She was made aware of accounting irregularities very early on and has worked to rebuild our budget to be in compliance with state regulations.

Q: How did the shortfall grow so large before any action was taken?

A: During two prior BOE presentations (2017-2018 and 2018-2019) it was noted that the Lake Drive revenue was used to cover \$1 Million dollars of the General Budget. However, the Lake Drive expenses were under budgeted by the previous Business Administrator. This under budget created an issue due to the practice of assigning general budget expenses to the LD budget. The general budget expenses that were assigned over time grow annually. The LD revenues declined over time due to improved technology and sending districts looking to keep students "in district". LD expenses were under budgeted to allow the general budget expenses to be applied. This practice had become "standard practice" between 2006 and 2019.

Q: You need to make public a comparison of budget to actual. In addition to the BOE, the public needs to have a spreadsheet where you show all the details of the numbers related to the deficit- revenue, expenses budgeted and actual.

A: The following outlines the 19/20 inaccurate budgeted expenses that total \$1,076,691. The actual expenses were incorrectly reflected by the business office. This was the past practice by the Business Administrator. The spreadsheet attached shows the

last five years. To cover the shortfall, funds were transferred from the ML district budget and from our excess surplus reserve. In 2013, the district had an excess surplus of \$1.5M, by 2017, it was drawn down to \$96K.

District Look Back of Under budget practices of Lake Drive Accounts

<https://docs.google.com/spreadsheets/d/1lfwk03fGQ9I-7AFkTslJpjUJ2eJQGfgkdDpaxkfnOE/edit?usp=sharing>

2019 - 2020 Itemization of Under budgeted Lake Drive Accounts

Account Number	Account Title	Budgeted	Actual	Under Budgeted Amount
11-000-213-33 0-LR	Purchased Professional Service	\$53,000	\$145,000	-\$92,000
11-000-291-22 0-LR	Social Security	\$136,000	\$210,000	-\$74,000
11-000-310-93 0-LR	Regular Food Service	\$19,000	\$45,000	-\$26,000
11-207-100-10 1-LR	LD teachers	\$2,882,686	\$3,145,000	-\$262,314
11-207-100-10 1-LR	LD Interpreters	\$357,235	\$413,803	-\$56,568
11-207-100-10 1-LR	LD Social Workers	\$300,626	\$339,066	-\$38,440
11-207-100-10 1-LR	LD Paraprofessionals	\$222,408	\$749,777	-\$527,369

Also, the Boonton Township tuition revenue was estimated to be \$4,338,944 which represents 256 students. We currently have 240 Boonton Township students. At the end of the school year we will have to reconcile with Boonton Township and return approximately \$250,000.

Even with this under budgeted expenses, the district has adequate funds to complete the academic year without a deficit. This is the primary reason why we must budget our expenses correctly for 20-21 and beyond. We must apply sound and responsible budgeting going forward.

Q: All LD expenses are to be billed back to sending districts not ML taxpayers. A portion of administration was also billed back to them in the past. There are LD students attending MLHS and BC. A small percent of the teachers' salaries for the classes they attend should be billed back to LD student sending districts - was that done?

A: A review of the percentages for the 20-21 were conducted to make sure the charge backs were appropriate.

Q: Budget always worked in the past. If you decided to change how it was accounted for, you still have to make the numbers work and make the LD expenses and revenue balance. If you have set revenue, that's all you can spend. Why wasn't anyone watching this?

A: Agreed, the previous auditor allowed the practice. The new auditor cited it as an audit recommendation and placed Mountain Lakes on a Corrective Action Plan to correct it. The 20/21 budget accounts for revenues and expenses properly.

Q: Overages of \$463,000 - How can you spend that much money you haven't budgeted? You know your enrollment from BT at the beginning of the year so if you know it is lower, then you reduce costs during the year to account for it -- not figure it out now -- and you don't approve overages of \$450+.

A: Overages are not a budgeted item. When the administration submitted the overages this year in August/September, the master schedule was already set and students were enrolled in the courses. Had the BOE not approved these overages at that time, many students would have had revised schedules creating nothing short of a crisis. The BOE questioned the overages during the meetings. For the 20/21 budget the projected revenue for BT students was decreased due to the declining enrollment.

Q: You have a BA with no send-receive experience, no standing BOE finance committee, and no one on the BOE with any substantial finance experience ---and for the first time we have a \$1+ million deficit. What are your plans to rectify that?

A: The board approved the motion to put an RFP out for a new auditor in April 2019. The reason for this request was that the previous auditor had been in the district for over 10 years. The idea of a fresh set of eyes was discussed as a motive for this change. The previous auditor had also been replaced by the Mountain Lakes Borough. Referring back to a previous answer regarding under budgeting and applying expenses

that could not be covered, this practice is not recommended by the current auditor and the MLSD is under a corrective action plan at this time.

For the 20-21 Budget, Ms. Delsandro has corrected the previous years' misalignments, to ensure as we move forward in the upcoming years.

Q: Certain members of this BOE campaigned complaining about loss of some teachers which were due to a large number of previously planned retirements, some non-renewals, and departures for personal reasons. Now you are looking at potentially laying off a significant number of excellent teachers just starting their careers here, reducing the number of courses and increasing class sizes. How is this progress?

A: The Board of Education is working with the Administration and is making progress to follow State regulations and compliance and correct the budget misalignment and consequent corrective action given by the Auditor. Correcting the budget practice by assigning expenses properly will also demonstrate progress.

Central Office is working with the administrators from all schools to make recommendations that have the least impact on student learning and to preserve our excellent teachers.

Q: As taxpayers, we have the right to be provided information, learn about the issues and provide input. When many of the current board campaigned, they promised greater transparency and accountability. Yet why is the public receiving very limited information on many ongoing issues?

A: It is the responsibility of the board to provide accurate information to the public. We received the audit report and recommendations December 18th 2019. Since that time, the board, along with the administration have been working toward correcting the misalignments in the budget, to address the missing capital asset log, and the other accounting irregularities.

Q: This is not a result of the coronavirus. For months, questions at BOE meetings have gone unanswered, community members are not receiving answers to questions sent to the BOE or acknowledgement of their letter and public comments are being limited -- a marked contrast to what has been done in the past. Obviously, public safety needs to be taken into consideration but why not allow more time for questions?

A: At the last BOE meeting, to compare and contrast, the comments were cut off at 10pm and the time amount and topics were limited/abridged. In the past, on July 17, 2018, 37 people spoke and public comment ended at 11:39pm. In the second public

comment 5 people spoke and the meeting was completed at 1:31am, On 8/13/18, 22 people spoke and 6 in the second and adjourned at 1:30 am. Public comment was not limited to agenda items only and each person could only speak for 5 minutes on any topic, but were limited to one 5 minute question/comment in the first public comment session and could come back for another question/comment in the second public comment. but limited to one topic. Agenda items only were never a requirement and every person was allotted 5 minutes on any topic. At the last meeting, it was stated by 2 board members that there was a precedent from the summer of 2018 to have public comment for agenda items only. Those statements were incorrect. In Feb./March of 2019 Mr. Mancuso, as Board President, changed the public comment allotment to be more in line with other public board meetings after consulting with the then attorney. The reason for this change was to move along the meetings so the board could complete its business. Reducing transparency would have been if the change included a cap on the amount of time for public comment, another recommendation from the previous attorney. It is illegal for a Board of Education to talk about personnel or student matters in public. The board is considering holding town hall meetings so the board members could engage the public in a more question and answer format. Board public comments are typically limited to agenda only items as the Board needs to conduct its government function and approve necessary motions for the continual function of the school. The reason 3/18 was limited to 30 minutes was due to COVID-19 that wrecked our country. The Governor had strongly discouraged any non-essential travel after 8PM. We were going to honor that and make sure our sound technician Anthony, Ryan, Carol, and Dr. Azar and any board members could leave the high school by 7:45PM to comply with the Governor's recommendation.

Q: One reason given in support of the decision to get rid of Biotech Academy was that the Biotech students, who were paying less than \$10K per year, were taking the spots that could go to non-resident MLHS students at \$16,500/year, thus creating an opportunity cost of over \$7000 per student. The rationalization was that MLSD would find 10-15 students per grade (which is the class size for the Biotech Academy) to realize that additional revenue. What plans have been developed to bring in those students?

A: We have advertised and will be marketing for non-resident tuition. This year, we are also including Kindergarten.

Q: And, with such a plan in place, why is that we have a decrease of \$31,800 in projected non-resident tuition for next year?

A: We would prefer to underestimate and remain conservative.

Q: While not ideal, can we use "old" accounting methods this year giving us

time to get our fiscal house in order?

A: The MLSD is on a corrective action plan which means we have to rectify and become in compliance.

Q: Overages= you said we voted for them on a monthly basis as I'm sure the previous BOE did. However going forward we need in advance the line item, the budgeted amount to show us. It will help us all keep track of the money. Was the 463K under the current administration of MLHS, BC & WW? When were they added on? Who asked for them?

A: MLHS Administration provided the recommendation for overages this year. Briarcliff and WW did not incur overages. The BOE publicly asserted the concern of these overages. However, the school year had already commenced and the master schedule required the overages. The board did not have a choice but to approve the overages. Going forward, administration is putting in proper budget approval in place.

Q: In-depth look back during this budget process? How difficult and tedious?

A: We will do this over the course of the rest of the school year.

Q: What will the MLEA and MLAA's role play in this shortfall?

A: The Central Office has been collaborating with MLEA and MLAA Leadership on recommendations to identify areas of reduction with the least impact to student learning and programming.

Q: Do you anticipate any programmatic cuts or RIFs for the 2020/21 budget?

A: No program cuts are being recommended, however we will complete an analysis of enrollment to ensure effective school schedules are developed. Unfortunately, there will be recommendations for a reduction in personnel.

1. **If so, what schools?** We are looking to move Briarcliff Sports to REC.
2. **If so, how many non-tenured teachers, tenured teachers, administrators, and staff will we lose?** We are looking at all categories and seek to reduce personnel with the least impact to student learning and programming.
3. **What do you anticipate as the impact on student-teacher ratio and course selection for MLHS?** (Biotech was abolished because the board claimed that it negatively impacted the student teacher ratio of ML and BT students.) We will need to carefully monitor student course

selections and make decisions that support programming.

4. **Other than RIFs, what other steps have been done or are being considered to address the shortfall?** Additional revenue ideas, in addition to marketing for non-resident tuition. Expanding Before and After Care to Briarcliff, Subscription busing, increasing staff student tuition etc.

For revenue sources for the 2021 budget, how much money do you have in your balance appropriated. I see that your fund reserve balance is only \$191,118. How come it is so much less than any prior years? How much money will you have left at the end of the 2019-20 fiscal year budget to offset costs to the taxpayers and put into reserve funds? Historically, this amount carried over has been

2014-15	2015-16	2016-17	2017-18	2018-19
\$927,583	\$857,773	\$950,000	\$700,000	\$549,171

Q: If the amount carried over is less than historical levels, why is it lower?

A: It is lower because the excess surplus was drawn down from \$1.5M (2013) to \$96K (2017) and we no longer have that excess surplus fund to balance our budget . Corrective action to align the budget and expenses should have been done in 2017 when the excess surplus fund was drawn to \$96K. This would have proactively curtailed the district from facing the current budget predicament. We do not anticipate a large fund balance after the completion of the 19/20 school year. As noted on a previous page several expenses accounts were under budgeted in 19/20 for a total of \$1.1mm. Any available funds are needed to fund the \$1.1mm.

Q: I see that you have added a hand carry motion item to use a banked cap in the amount of \$59,000. If approved, this would add that amount in taxes above the max allowable percent increase in tax levy. Why this amount and why pursue this before all other means are exhausted?

A: The amount used was the amount that was expiring in 20/21. We used the money so we did not have to further cut expenses, ex. staff, programs.

Q: Why is there a decrease of \$31,800 in non-resident tuition in the proposed 20-21 budget? At previous board meetings, Dr. Azar and the board have stated that they could easily grow our non-resident tuition program because so many people would want their children to come to ML schools and that they planned to move forward with growing that program.

A: We are in the process of marketing for non-resident tuition students. Our ad will be published as follows: Star Ledger next 3 Sundays, March 29, April 5, April 12
Daily Record: March 29, April 1, April 3

Q: Have all the additional expenses for send-receive & tuition students above and beyond the base tuition, such as paraprofessionals, therapy, equipment etc., been tracked and billed back to the appropriate districts? And have you received appropriate payment?

A: Yes all additional expenses have been billed to Boonton Township and received in a timely manner. LD school is fully self funded and the expenses per student have been covered by sending districts. The budgeting of these expenses by the Business office has been corrected and will be done in this manner going forward.

Q: Why didn't everyone attend from home where they would be safe and in no way coming up against a public curfew?

A: At the time, it was the beginning of the COVID pandemic crisis, the State sent a notice requiring the advertised location made available for public access. Therefore, Ryan Dunn and the sound technician were at the high school media center to make sure it was accessible to comply with the Open Public Meeting Act requirement. Board members who elected to attend the meeting remotely were seated at a safe distance from each other. Several days after the 3/17/19 meeting a notice from the State was released providing guidance for Public meetings. Boards do not have to have a public meeting space available as long as there is accessibility remotely for public participation.

Q: Why did we have to have the lawyer there?

A: Given the COVID crisis and the unconventional nature of a town wide remote meeting, the lawyer was requested to be present to make sure we are in compliance with the Open Public Meeting Act.

Q: Why was everyone not on camera?

A: In accordance with State guidance on Open Public Meeting Act for remote meetings, only audio is required.

Q: Why was Joe Chang not talking to us but engaging on the most anti-district social media account? And thanks for deleting it but everyone has their screenshots.

A: Mr Chang was not on Facebook and did not make any emoji comments during the time of the meeting. During the board meeting, Mr Chang had no knowledge of what was transpiring on M L S D Research Collaborative facebook page. He was

coordinating the meeting with Dr Azar and Ms Delsandro, our business administrator. It was after Mr Chang came home from the meeting that he found out a member of his family was using his facebook account to watch the live stream of the meeting through the M L S D Research Collaborative facebook page.

Q: Why did Rich keep cutting off Dr. Hirschfeld and not let the question be answered about providing the public with accounting details of the shortfall?

A: Mr. Mancuso was not cutting off Dr. Hirschfeld. Mr. Mancuso was trying to correct Dr. Hirschfeld regarding his request that he wanted the auditor to provide a line by line budget document. The business administrator provides that document. The auditor ensures that proper accounting rules have been followed.

Q: Which board members learned of the budget issues and when did each learn?

A: The finance committee met on 1/24 @ 10am at the board office. At that meeting, Carol told the committee members that we will have some challenges for the 2020-2021 budget. On 2/14, Mr. Chang sent an email to the *entire* board to address the budget challenge and made the following statement: "As we face this budget challenge, like all other challenges we have faced thus far, we move forward together as a team. We rely on Dr. Azar, Dr. Bangia, and Ms. Delsandro to present to the board the budget and any corrective measures that need to be taken. The board, through the finance committee, will advise and question any budget items and recommended measures, so we as a board could make an informed decision together."

Q: Can we vote on next year's budget without all understanding what went wrong with this year's budget?

A: On March 14th, Mr Chang sent a notice to the board from the board lawyer to answer what the board will be adopting and voting on March 18th. The entire board was aware of what will be voted on March 18th and as previously mentioned, the entire board was aware of the budget challenge. Board members also met individually with Dr Azar and Ms Delsandro to discuss the budget shortfall in detail and to answer any questions each individual board member had.

Respectfully submitted by the Finance Committee