

Memorandum

To: Mayor Paul Ferricola, Commissioner Al Cheswick, Commissioner Denis D'Angelo
Cc: Village Attorney Guy Ryan, Village Clerk Dan Mason
From: Joseph Stefko, Ph.D. and Paul Bishop, M.P.A., Project Co-Managers
Date: November 18, 2015
Re: Fiscal and Educational Impact Analysis Report

The Village of Loch Arbour engaged CGR to complete an analysis of the impacts involved in a proposed shifting of Loch Arbour out of the Ocean Township School District (OTSD) and into a send-receive arrangement with the West Long Branch School District (WLBSD) for grades K-8, and the Shore Regional School District (SRSD) for grades 9-12. This memorandum reports the findings and results of our analysis.

Scope and Approach

First, we present a review of the "current state," the intent of which is to establish a baseline for evaluating the fiscal impact on Loch Arbour taxpayers by documenting the current fiscal burden borne by Loch Arbour to send students to OTSD. As part of the "current state review," we present a comparison of the school property tax burden between Loch Arbour and Ocean Township, as well as a summary review of demographic data in the two communities.

Second, we estimate the tax implications on OTSD and Ocean Township taxpayers that would result from shifting Loch Arbour out of OTSD, all else being equal. To complement this analysis, we re-analyze the impact after identifying any cost elements within OTSD that would likely be reduced through the removal of Loch Arbour students (e.g. special education, transportation).

Third, we estimate the tax implications on Loch Arbour taxpayers that would result from shifting Loch Arbour out of OTSD and into WLBSD and SRSD.

Finally, we present a series of contextual data components that further inform Loch Arbour's proposal to enter into a send-receive arrangement with WLBSD and SRSD, including demographic comparisons between OTSD and the would-be receiving districts; out-year enrollment projections for the Loch Arbour student cohort; academic performance comparisons between OTSD and the would-be receiving districts; student-to-teacher ratio comparisons between OTSD and the would-be receiving districts; and a high-level review of programmatic and service consistency between OTSD and the would-be receiving districts.

Review of Current State

The Village of Loch Arbour separated from Ocean Township in 1957, incorporating as an independent municipality. By operation of law, when Loch Arbour separated as a municipality it remained part of the Ocean Township School District.¹ Relative to the total OTSD service area (which includes Loch Arbour and Ocean Township), Loch Arbour represents a small percentage. Per the U.S. Census Bureau, the Village had a total population of 194 in 2010, or the equivalent of 0.7 percent of Ocean Township's 27,291. Similarly, the Village's school-aged population (i.e. 5-to-19 years) was 34, or 0.6 percent of Ocean Township's 5,324.

2010 Population Source: U.S. Census Bureau

	Loch Arbour	Ocean Township
Total population	194	27,291
Under 5	6	1,458
5-9	10	1,623
10-14	14	1,872
15-19	10	1,829
20-24	11	1,500
25-34	9	2,787
35-44	18	3,504
45-54	49	4,482
55-59	21	2,098
60-64	16	1,958
65-74	16	2,338
75-84	11	1,357
Over 84	3	485
Median Age	49 yrs	43 yrs
Households	82	10,611
Average Size	2.37	2.39
Owner Occupied	72.3%	64.4%

Between 1999 and 2008, Loch Arbour's financial contribution to OTSD was capped by statute.² The Village paid the greater amount of 110 percent of the actual per pupil cost or \$300,000. The Village paid \$300,000 each year, meaning that its actual contribution exceeded 110 percent of the actual per pupil cost. In the last year under

¹ See NJSA 18A:8-1.

² The former Kiely Law, NJSA 18A:8-1.1.

that statute, Loch Arbour's contribution represented 0.6 percent of the total OTSD levy, with Ocean Township paying the remaining 99.4 percent.³

Since repeal of that statute, OTSD's levy has been apportioned between Loch Arbour and Ocean Township on the basis of equalized assessed value of taxable property. The effect was a significant increase for Loch Arbour taxpayers. From the last year in-statute to the first year post-repeal, Loch Arbour's levy rose 447 percent to \$1,641,699, its share of the total OTSD levy increasing from 0.6 percent to 3.0 percent. On a per pupil basis, the cost to Loch Arbour rose from approximately \$15,000 (under the statutory cap) to more than \$80,000 (under the equalized assessed value approach).⁴

Because Loch Arbour has a population of less than 200 and sends fewer than 20 students to OTSD⁵, it effectively pays a much higher cost per pupil than Ocean Township. In the current fiscal year (2015-16), Loch Arbour's share of the OTSD levy is \$2,014,486 (or 3.2 percent), compared to Ocean Township's \$60,054,172 (or 96.8 percent), in line with the relative share of equalized taxable assessed value for each (\$151,464,164, or 3.3 percent, for Loch Arbour and \$4,539,382,409, or 96.7 percent, for Ocean Township).⁶ On a per pupil basis, this results in Loch Arbour paying approximately \$125,905 in per pupil property tax compared to Ocean Township paying approximately \$16,300, a seven-fold difference.

School Tax Levy Shares and Equalized Taxable Values
Source: Ocean Township School District Annual Budgets

	<u>Loch Arbour</u>		<u>Ocean Township</u>	
	Levy Share	Equalized TAV	Levy Share	Equalized TAV
	----- (Figures presented in nominal dollar terms) -----			
2008-09	\$300,000	\$204,864,904	\$50,059,028	\$5,874,102,147
2009-10	\$1,641,699	\$172,470,574	\$53,521,544	\$5,622,766,306

³ CGR calculations based on Ocean Township School District budget data. Calculated as follows: In 2008-09, VLA school tax levy was \$300,000; OT school tax levy was \$50,059,028. Thus, VLA is 0.6% of total and OT is 99.4% of total.

⁴ CGR calculations based on Ocean Township School District budget data. Calculated as follows: Using 20 students as a hypothetical figure, the last in-statute year was \$300,000 divided by 20, or \$15,000; the first out-of-statute year was \$1,631,699 divided by 20, or approximately \$82,000.

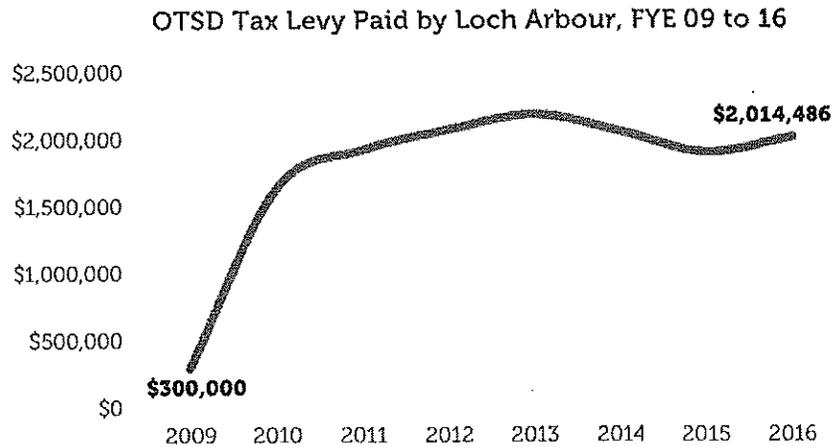
⁵ Based on figures provided by the Village of Loch Arbour, CGR's analysis uses a current enrollment number of 16. The actual grade distribution of students is discussed later in this analysis.

⁶ Ocean Township School District budget, 2015-16. Calculated as follows: Loch Arbour's levy is \$2,014,486, or 3.2 percent of OTSD's total levy of \$62,068,658; Ocean Township's is \$60,054,172, or 96.8 percent. Loch Arbour's assessed value is \$151,464,164, or 3.3 percent of OTSD's total assessed value of \$4,690,846,573; Ocean Township's is \$4,539,382,409, or 96.7 percent.

2010-11	\$1,925,712	\$194,726,874	\$55,601,023	\$5,535,729,615
2011-12	\$2,075,499	\$195,940,278	\$56,096,823	\$5,118,942,495
2012-13	\$2,187,546	\$157,178,950	\$57,134,743	\$4,803,080,497
2013-14	\$2,056,482	\$154,450,686	\$58,135,560	\$4,566,355,552
2014-15	\$1,903,370	\$151,880,984	\$56,169,198	\$4,473,944,524
2015-16	\$2,014,486	\$151,464,164	\$60,054,172	\$4,539,382,409

School Tax Levy Shares and Equalized Taxable Values
 Source: Ocean Township School District Annual Budgets

	<u>Loch Arbour</u>		<u>Ocean Township</u>	
	Levy Share	Equalized TAV	Levy Share	Equalized TAV
----- (Figures presented as % of OTSD total) -----				
2008-09	0.6%	3.4%	99.4%	96.6%
2009-10	3.0%	3.0%	97.0%	97.0%
2010-11	3.3%	3.4%	96.7%	96.6%
2011-12	3.6%	3.7%	96.4%	96.3%
2012-13	3.7%	3.2%	96.3%	96.8%
2013-14	3.4%	3.3%	96.6%	96.7%
2014-15	3.3%	3.3%	96.7%	96.7%
2015-16	3.2%	3.3%	96.8%	96.7%



Loch Arbour's higher cost on a per pupil basis stems from its higher relative property values. This has the effect of generating a higher relative level of taxable assessed value in Loch Arbour than in Ocean Township despite the Village having only 1.5 percent as many parcels and 0.7 percent as many residents. According to the

Monmouth County Board of Taxation, the average home value in Loch Arbour in 2013 was \$1,071,877, more than twice that of Ocean Township (\$404,571).⁷

As a result, the actual school tax levy amount is considerably higher on the average Loch Arbour property than the average Ocean Township property. When the "all-in" rate (i.e. including repayment of debt and adjustments) is applied, the average Loch Arbour property pays a school tax bill of \$13,940 (i.e. an equalized rate of \$1.3005 per \$100 on a property of \$1,071,877), compared to the average Ocean Township school tax bill of \$5,352 (i.e. an equalized rate of \$1.3230 on a property of \$404,571).⁸

Impact on Ocean Township

We present below the estimated tax implications on OTSD and Ocean Township that would result from shifting Loch Arbour out of the Ocean Township School District, all else being equal. This initial analysis does not consider the potential for cost reductions that would likely result from such a shift, but rather assumes most conservatively that all remaining costs in OTSD (and the current corresponding property tax levy) would simply be spread across the remaining Ocean Township properties in OTSD.

As noted, the total OTSD tax levy in the current year is \$62,068,658 (i.e. \$2,014,486 from Loch Arbour and \$60,054,172 from Ocean Township). Spread across a combined taxable assessed value of \$4,690,846,573 (i.e. \$151,464,164 from Loch Arbour and \$4,539,382,409 from Ocean Township), this results in an equalized "all-in" tax rate of \$1.3005 per \$100 in Loch Arbour and \$1.3230 per \$100 in Ocean Township.⁹

If Loch Arbour were to shift out of the Ocean Township School District, thereby removing its share of taxable assessed value, under an all else being equal assumption the re-spreading of the current tax levy would increase the Ocean Township tax rate from \$1.3230 to \$1.3673 (3.3 percent). This would have the effect of increasing the tax bill on an average property by approximately \$180, to a total of \$5,532.

⁷ Monmouth County Board of Taxation, 2013 rolls (<http://co.monmouth.nj.us/documents/18/Average%20Residential%20AV%202013.pdf>).

⁸ CGR calculations based on Monmouth County Board of Taxation, 2013 rolls and Ocean Township School District budget, 2015-16.

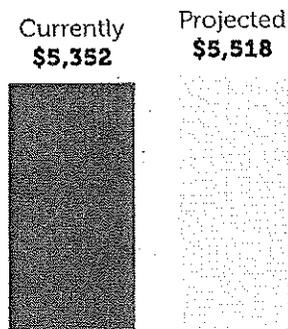
⁹ Ocean Township School District budget, 2015-16.

As noted, these impacts are based on an all else being equal assumption regarding OTSD budgeted expenditures and the current property tax levy. In all likelihood, however, there would be certain cost reductions enabled in OTSD as a result of Loch Arbour's shifting out. A more comprehensive management and operational efficiency study would be required to detail those opportunities and estimate their financial impact. Based on the fact that approximately 72 percent of OTSD's budget is salaries, wages and fringe benefits, and the extremely low likelihood that the removal of 16 Loch Arbour students (less than one-half of one percent of OTSD's total enrollment) spread across seven grade levels would precipitate classroom reconfigurations, staff reductions or school closures, CGR does not have reason to believe the resulting savings would be significant.

However, one cost that would be reduced through the shift of Loch Arbour's current student cohort out of OTSD involves special education tuition and transportation. According to the Village, at least two current Loch Arbour students attending OTSD are classified as special needs students with out of district placements, which creates tuition and transportation costs for OTSD as the "home" district. The Village estimates the combined annual tuition costs for those students to be \$120,000, with an additional \$30,000 in combined annual transportation costs.

When the impact analysis is re-run but with a tax levy reduction of \$150,000 to account for removal of these two costs, CGR finds that the revised tax rate for Ocean Township would increase by slightly less, from \$1.3230 to \$1.3650 (3.2 percent). This would have the effect of increasing the tax bill on an average property by approximately \$166, to a total of \$5,518.

Avg Ocean Township School Tax Bill

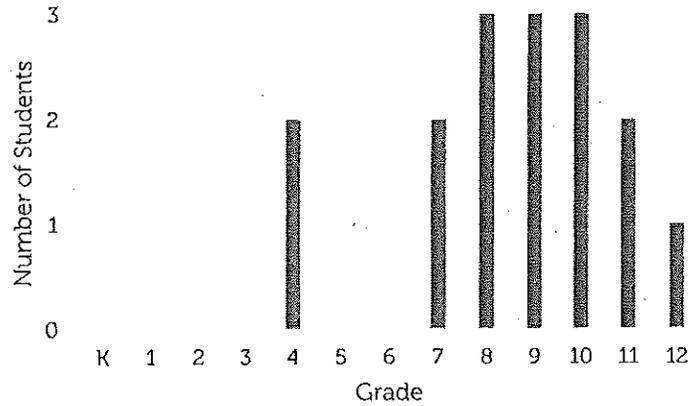


Impact on Loch Arbour

We present below the estimated tax implications on Loch Arbour that would result from shifting the Village out of the Ocean Township School District and into West Long Branch and Shore Regional. Our estimates are based on the current distribution of Loch Arbour students in order to provide a "snapshot" sense of what the impacts would be today. However, actual impacts would be subject to the date of inception for any send-receive arrangement, the cost basis for that arrangement between Loch

Arbour and the receiving districts, and, in the event the cost basis was per student, the number and grade distribution of students from Loch Arbour.

According to the Village, there are at present 16 students attending the Ocean Township School District, distributed by grade as follows¹⁰:



The actual distribution of students at the time a send-receive relationship begins will likely be different, of course. But in the event Loch Arbour were to be in a send-receive relationship with the current student grade distribution, seven students would be in West Long Branch School District (K-8) and nine students would be in Shore Regional School District (9-12).¹¹

For the purposes of estimating the impact on Loch Arbour of a send-receive relationship with WLBSD and SRSD, CGR modeled costs using the framework contained in the current send-receive contract between the Interlaken Board of Education and the Shore Regional High School Board of Education. The current agreement has a 7-year term that began with the 2014-15 school year and runs through the conclusion of the 2020-21 school year. Under the agreement, Interlaken purchases general and special education services from Shore Regional under a tuition

¹⁰ This distribution is an approximation based on information supplied by the Village of Loch Arbour. CGR compared this to the results of a survey of residents the Village administered in October 2014, which identified 15 students. Based on the graduation of one student included in that tally, and the addition of two other students not initially captured in the survey, we are confident that 16 is a reasonable approximation of the current public school enrollment from Loch Arbour.

¹¹ It should be noted that the Superintendent of West Long Branch and Shore Regional has indicated that capacity exists to absorb this cohort of students from Loch Arbour. According to data provided by both districts, West Long Branch has a capacity of 770 students, while Shore Regional has a capacity of 900 students.

arrangement which is contracted annually in accordance with law and serves as an Addendum to the formal send-receive agreement.

According to the agreement, "For the 2014-15 school year, the sending district shall pay the receiving district a total annual tuition charge of \$10,000 per student... For each subsequent school year covered by this Agreement, the receiving district shall determine a tentative tuition amount... which tuition shall not exceed an increase of two (2) percent per year over the prior year's per student tuition charge."

Specifically regarding special education costs, the agreement provides that "the sending district shall be responsible for all special education costs of its students" above and beyond the general education tuition cost noted above, including resource centers, specialized programs in the receiving district, other non-instructional supportive services, evaluations and case management. For students requiring placements outside the receiving district, "The sending district shall enter into a contract directly with the identified out of district provider and make all such tuition, transportation, and other payments directly to the vendor providing such services."

A Loch Arbour send-receive agreement that conformed to the cost framework of the current Interlaken-SRSD agreement would have a current year per-student tuition of approximately \$10,200 (i.e. the \$10,000 base year tuition with the allowable 2 percent annual increase), plus costs incurred for special education services.

For 16 Loch Arbour students, this would produce a total tuition cost of \$163,200. This cost would rise to approximately \$313,200 assuming additional special education costs of \$150,000. This translates to a tax rate of \$0.2022 per \$100 for Loch Arbour, with the average property paying a tax bill of \$2,167, a reduction of \$11,772 (or 84.4 percent) over current levels.

Avg Loch Arbour School Tax Bill

Currently
\$13,940



Projected
\$2,167

Educational and Demographic Considerations

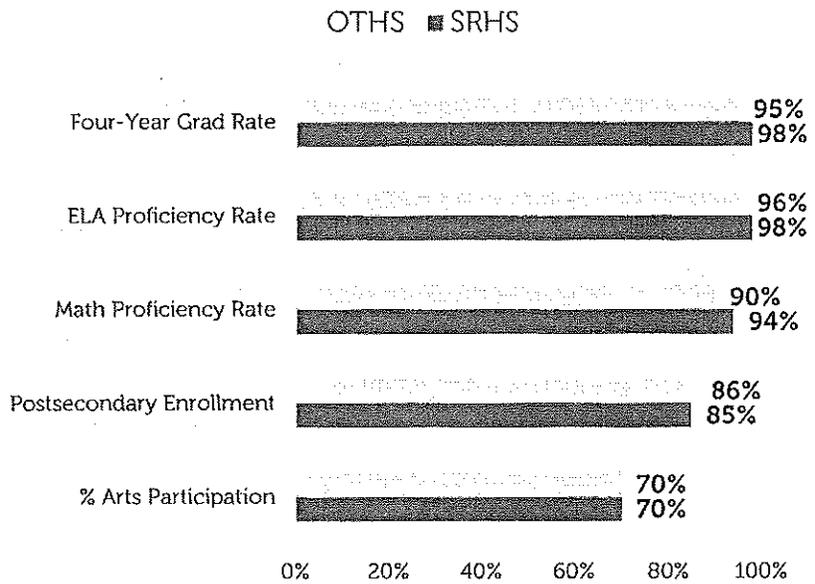
We present below a series of data elements that further inform Loch Arbour's proposal to shift from OTSD and into a send-receive arrangement with WLBSD and SRSD.

Q: Would the shift result in Loch Arbour's students receiving at least as high quality of educational programming as they currently receive at OTSD?

Based on an examination of academic performance data, CGR finds that Loch Arbour students would receive programming at West Long Branch and Shore Regional of a quality that is similar to that of Ocean Township School District. Student-to-teacher ratios are very comparable. At the elementary and middle school levels, OTSD reports 2014 ratios of 10.3:1 and 9.4:1, respectively, compared to a composite elementary and middle school ratio of 9.9:1 in WLBSD. At the high school level, OTSD has a ratio of 11.4:1, compared to 11.1:1 in SRSD.¹²

At the high school level, performance data for Shore Regional are substantially similar to those for OTSD. Four-year graduation rates are slightly higher in SRSD (98 percent vs. 95 percent), as are proficiency ratings in ELA (98 percent vs. 96 percent) and math (94 percent vs. 90 percent). In total, 85 percent of Shore Regional High School graduates enroll in two- or four-year postsecondary educational institutions, compared to 86 percent for Ocean Township High School.

High School Performance Comparisons
Source: New Jersey School Performance Reports



In *New Jersey Monthly's* 2014 "Top High Schools" listing, Shore Regional High School ranked #61 and Ocean Township High School ranked #84.¹³

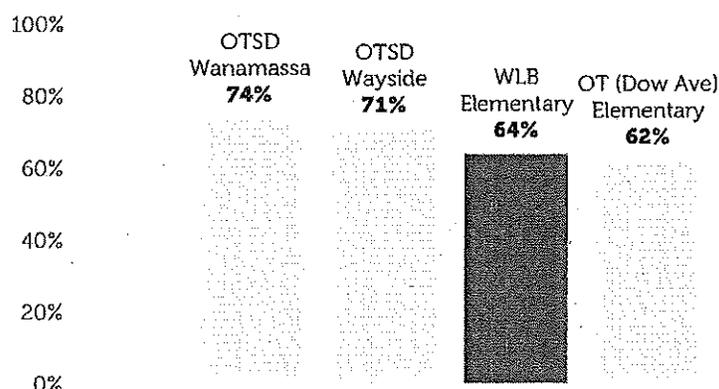
At the elementary level, WLB achieved an English Language Arts (ELA) proficiency rate of 64 percent in the most recent reporting period, which is within the proficiency range recorded by OTSD's elementary schools (74 percent, 71 percent and 62 percent). Similarly, WLB's math proficiency score (77 percent) was within the proficiency range

¹² New Jersey School Performance Reports, State Department of Education.

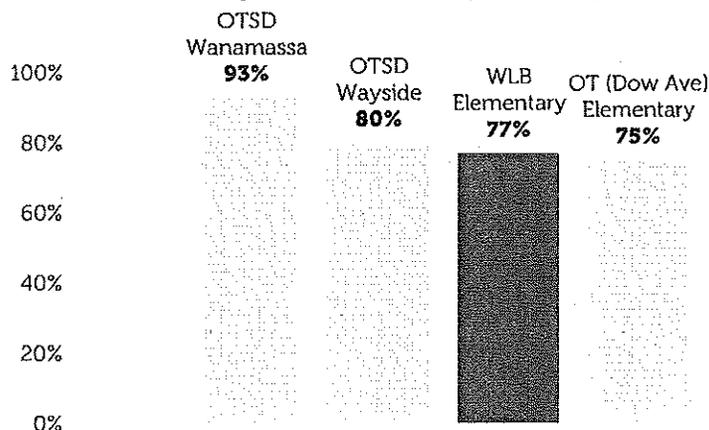
¹³ <http://njmonthly.com/articles/towns-schools/top-schools-alphabetical-list/>.

recorded by OTSD's three elementary schools (93 percent, 80 percent and 75 percent). In both cases, if WLB's Betty McElmon Elementary School were within OTSD, its proficiency ranking would be behind Wanamassa and Wayside Elementary Schools, but ahead of Ocean Township (Dow Avenue) Elementary.¹⁴ At the middle school level, WLB's proficiency rate in English Language Arts was 72 percent, compared to 78 percent in OTSD. In math, WLB scored 84 percent compared to OTSD's 83 percent.¹⁵

Elementary ELA Proficiency Levels by School



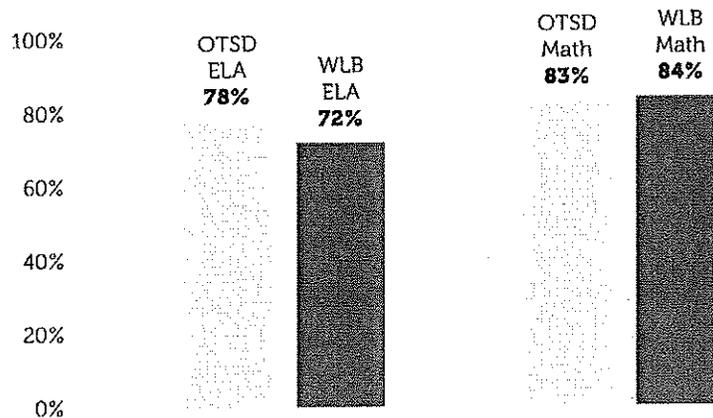
Elementary Math Proficiency Levels by School



¹⁴ New Jersey School Performance Reports, State Department of Education.

¹⁵ New Jersey School Performance Reports, State Department of Education.

**Middle School ELA and Math Proficiency Levels
by School**



Q: Would the shift result in Loch Arbour's students receiving at least as robust a menu of academic and extracurricular offerings as they currently receive at OTSD?

Based on an examination of academic programming and extracurricular offerings in each district, CGR finds that Loch Arbour students would have available to them a range of opportunities at West Long Branch and Shore Regional that are of a depth and breadth similar to that of Ocean Township School District.

All activities, enrichment and extracurricular offerings at OTSD are also available at WLBSD and SRSD at the elementary, middle and high school levels, with the exception of vocal music at the elementary level. All have instrumental music, visual arts, special education and advanced / enriched / gifted academic programs. Both middle and high schools have drama clubs or classes. The sports offered at the middle school level are identical, though Shore Regional High School offers slightly fewer sports than Ocean Township High School (47 total teams vs. 42 total teams). Each high school offers football, field hockey, cross country, tennis, soccer, basketball, track, wrestling, swimming, lacrosse, softball, baseball and golf.

A comparison of offerings is presented in the following summary table.

Comparison of Academic and Extracurricular Offerings by District

 Source: Ocean Township School District, West Long Branch School District, Shore Regional School District

	<u>Elementary</u>		<u>Middle School</u>		<u>High School</u>	
	OTSD	WLBSD	OTSD	WLBSD	OTSD	SRSD
Gifted, Enriched, Advanced	X	X	X	X	X	X
Athletics	X	X	3 each season	3 each season	24 varsity 13 JV 10 frsh	21 varsity 12 JV 9 frsh
Vocal Music	X		X	X	X	X
Instrumental Music	5 th grade only	All grades	X	X	X	X
Activities, Clubs			X	X	40	42
National Honor Society			X	X	X	X
Student Paper			X	X	X	X

Q: Would the shift result in a material change in the racial / demographic profile of the Ocean Township School District or the receiving districts?

Based on an examination of demographic data, CGR finds that there would be minimal change in the racial and demographic profile of any of the affected districts. The removal of 16 Loch Arbour students from OTSD – less than one-half of one percent of OTSD’s total enrollment – would impact OTSD’s demographic profile by only fractions of a percent, and would leave the two receiving districts’ demographic profiles virtually the same.

Demographic Profiles

Source: Current Demographic Data from New Jersey State Department of Education

	Currently	Projected
OTSD		
White	66%	66%
Black	10%	10%
Hispanic	14%	14%
Asian	9%	9%
Two or more	1%	1%
WLBSD		
White	85%	85%
Black	1%	1%
Hispanic	8%	8%
Asian	2%	2%
Two or more	4%	4%
SRSD		
White	92%	92%
Black	2%	2%
Hispanic	4%	4%
Asian	1%	1%
Two or more	1%	1%

Q: How is the current Loch Arbour K-12 enrollment level likely to change in the next five to ten years, and what impact would a material increase have on the receiving districts?

Based on an analysis of population growth trends by age cohort in Loch Arbour, CGR finds it unlikely that Loch Arbour's school aged population will grow materially – if at all – over the next five years. The Village, which is largely built out and has limited additional development capacity, has actually experienced overall population loss over the past two decennial censuses. From 2000 to 2010, its total population declined from 280 to 194, and the school aged population fell from 37 to 34. We estimate the size of Loch Arbour's school aged cohort will be approximately 31 in 2020, with some of those students opting for private or parochial school options, as occurs today.

Further, based on capacity information supplied by the West Long Branch and Shore Regional School Districts, even in the unlikely event Loch Arbour's school aged population (and corresponding enrollment) grew substantially, we do not believe there would be an issue educating these additional students within either receiving district (see Footnote 10). And to the extent any send-receive arrangement is based on a per pupil tuition cost, the additional cost to educate any new Loch Arbour students in the receiving districts would be borne by the Village.

Appendix Material (provided pursuant to NJAC 6A:32-11.1(a))

Ocean Township School District is a comprehensive public school district currently serving students in Ocean Township and the Village of Loch Arbour. The District serves students in grades PK through 12 across five schools:

- Wanamassa Elementary School
- Wayside Elementary School
- Ocean Township (Dow Avenue) Elementary School
- Ocean Township Intermediate School
- Ocean Township High School

The total population of the two communities served is 27,485, with Ocean Township representing 27,291 residents and Loch Arbour representing 194. The District has current-year enrollment of 3,691, and based on average percentage changes over the last three school years is projected to have enrollments of the following:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total (PK-12)	3,532	3,498	3,467	3,439	3,414

West Long Branch School District is a community public school district currently serving students in West Long Branch and, pursuant to send-receive agreement, students in Interlaken. The District serves students in grades PK through 8 across two schools:

- Betty McElmon Elementary
- Frank Antonides School

The total population of the two communities served is 8,917, with West Long Branch representing 8,097 residents and Interlaken representing 820. The District has current-year enrollment of 579, and based on average percentage changes over the last three school years is projected to have enrollments of the following:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total (PK-8)	580	582	585	588	591

Shore Regional High School District is a regional public high school and district currently serving students in West Long Branch, Sea Bright, Oceanport, Monmouth Beach and, pursuant to send-receive agreement, students in Interlaken. The District serves students in grades 9 through 12 in one school:

- Shore Regional High School.

The total population of the communities served is 19,440, with West Long Branch representing 8,097 residents, Sea Bright representing 1,412, Oceanport representing 5,832, Monmouth Beach representing 3,279, and Interlaken representing 820. The District has current-year enrollment of 615, and based on average percentage changes over the last three school years is projected to have enrollments of the following:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total (9-12)	607	600	593	586	579

Conclusion

Between 1999 and 2008, the Village of Loch Arbour's financial contribution to the Ocean Township School District was \$300,000 per year, or the equivalent of \$15,000 per student. Since repeal of the Kiely Law (NJSA 18A:8-1.1), which shifted cost allocation to a taxable valuation basis, the cost to Loch Arbour has grown significantly. In the current year, Loch Arbour's share of the OTSD levy is \$2,014,486, or the equivalent of approximately \$125,905 on a per pupil basis. If Loch Arbour were to shift out of the Ocean Township School District and into West Long Branch / Shore Regional School Districts, school property taxes on the average Loch Arbour residential property would fall by \$11,772, or 84 percent. By contrast, such a shift would increase the average Ocean Township residence's school tax by approximately \$166. An examination of program and extracurricular offerings finds that Loch Arbour students would be afforded at least as robust an educational experience at West Long Branch / Shore Regional, and a review of demographics finds that the impacts on OTSD and both receiving districts would be negligible.

Memorandum

To: Village of Loch Arbour, c/o Paul Fernicola and Daniel Mason
From: Joseph Stefko, Ph.D. and Paul Bishop, M.P.A., Project Co-Managers
Date: November 13, 2015
Re: Supplemental analysis of debt sharing scenario

As a supplement to CGR's report on the fiscal impacts of shifting Loch Arbour out of the Ocean Township School District (OTSD), you have requested that we examine a scenario under which Loch Arbour would continue to pay its share of debt service to OTSD.

According to Village counsel, under the process for establishing a separate school district (NJSA 18A:8-5 et seq.), "Debt is to be apportioned based on the cost of the physical facilities, if any, in the two municipalities." It is CGR's understanding that there are no OTSD facilities located within the Village of Loch Arbour.

In the current year Ocean Township School District budget, Loch Arbour's tax levy for debt payment and adjustments is \$58,163, which translates to a tax rate of \$0.0375 per \$100. If Loch Arbour were to continue to pay this share of the tax levy to OTSD, the cost to the average Village residence would be \$402.

This would have a minor impact on Ocean Township properties, saving the average residence approximately \$6. That is, the cost to the average property of a full Loch Arbour withdrawal would fall from \$166 (as documented in the full analysis) to approximately \$160.