



Nicholson, Jennifer <jnicholson@bhpsnj.org>

Re: PILOT Properties and Fiscal Impact on the Berkeley Heights School District

1 message

Liza Viana <lviana@bhtwp.com>

Thu, Apr 16, 2026 at 4:48 PM

To: "Romond, Diane" <dromond@bhpsnj.org>, Angela Lazzari <aLazzari@bhtwp.com>

Cc: "Dr. Kim Feltre" <kfeltre@bhpsnj.org>, Jennifer Nicholson <jnicholson@bhpsnj.org>

Good afternoon Jenn and Dr. Feltre,

Please see our attached response to your request below. We apologize for this taking so long, but we wanted our response to provide some historical context, given that all of your Board members and yourselves are fairly new. And we had to get through our budget, which was in-progress up until the day of introduction.

Thank you for the opportunity to respond. We look forward to working together to find ways to increase collaboration for the benefit of our residents.

Liza Viana
Berkeley Heights Township Administrator
908-464-2700, ext 2232
lviana@bhtwp.com

From: Romond, Diane <dromond@bhpsnj.org>**Date:** Thursday, March 12, 2026 at 12:20 PM**To:** Liza Viana <lviana@bhtwp.com>, Ana Minkoff <aminkoff@bhtwp.com>**Cc:** Dr. Kim Feltre <kfeltre@bhpsnj.org>, Jennifer Nicholson <jnicholson@bhpsnj.org>, Debbie Terrero <dterrero@bhpsnj.org>, Natasha Joly <njoly@bhpsnj.org>**Subject:** PILOT Properties and Fiscal Impact on the Berkeley Heights School District

CAUTION: This email has originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Ms. Viana and Members of the Town Council,

Please find the attached letter on behalf of Superintendent Dr. Kim Feltre and Business Administrator Jennifer Nicholson.

We look forward to your review and continued collaboration between our respective bodies.

Best,
Diane Romond
Assistant to the Business Administrator
Berkeley Heights Public Schools
dromond@bhpsnj.org
Tel: 908-464-1718 ext. 1400



3 attachments

 **For BOE 4-16-26.pdf**
41K

 **Berkeley Heights 2026 Debt Presentation 4.7.2026 (3).pptx**
295K

 **2026 Budget Presentation Final 4-7-26 (3).pptx**
344K

TOWNSHIP OF BERKELEY HEIGHTS



2026 MUNICIPAL BUDGET PRESENTATION BUDGET INTRODUCTION

April 7, 2026

A Time of Extraordinary Budget Challenges for Berkeley Heights & Towns Across New Jersey

MAIN GOAL of budget in 2026: To provide the residents of Berkeley Heights with a budget that maintains the level of services they are accustomed and to anticipate needs of our town with increased development. This budget includes:

- 📌 Continued MAJOR investments in the Waste Water Treatment Plant to not only bring the plant into - and stay in - DEP compliance, but to ensure all priority infrastructure upgrades are completed as soon as possible.
- 📌 All required financial matches for all road and drainage/infrastructure grants to be completed in 2026 (Safe Streets to School sidewalks on Snyder Ave & Mountain Ave, Safe Streets to Transit Springfield Ave sidewalk & lights project & more)
- 📌 \$830,000 in capital items are being funded out of Current Fund to better manage our debt service, borrow less.
- 📌 Large increases in non-discretionary, fixed costs.

BUDGET CHALLENGES - STATEWIDE:

Municipalities across New Jersey are facing a perfect storm of structural, state-level, and local cost pressures right now. Most NJ municipalities are dealing with the same core equation: Rigid revenue limits + rapidly rising fixed costs + reduced external support = structural budget stress.

🗣️ **Structural imbalance:** costs rising faster than revenues. New Jersey itself is dealing with a ~\$3 billion structural deficit, driven by rising expenses outpacing revenue growth.

🗣️ **Hard state-imposed budget caps.** Municipalities are still bound by:

- The 2% property tax levy cap
- The appropriation cap (with limited COLA adjustments)

Why this is a major issue: Costs like healthcare, pensions, and utilities often rise **well above 2%**. Even when revenues are strong, towns cannot freely spend them.

🗣️ **Exploding fixed, non-discretionary costs** - employee health benefits, liability insurance, pension contributions. These costs prevent us from being able to spend \$ on staffing, capital improvements, service enhancements.

BUDGET CHALLENGES - STATEWIDE:

Municipalities across New Jersey are facing a perfect storm of structural, state-level, and local cost pressures right now...

Affordable housing mandates (Mount Lauren obligations)

- Towns must plan and zone for state-mandated affordable housing, which creates higher infrastructure costs (sewer, roads, public safety) and increases demand for services.

Aging infrastructure & capital needs

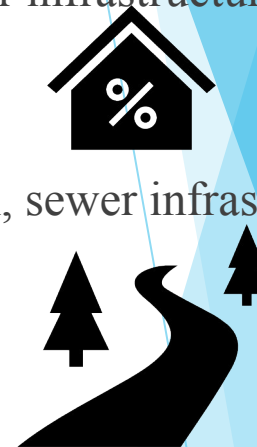
- Town continually faces major costs for roads, stormwater systems, flooding mitigation, sewer infrastructure
- Even with many grants, the demand far exceeds the funding available

Workforce and service delivery pressures

- Rising labor costs + limited hiring flexibility
- Difficulty maintaining adequate staffing levels under cap constraints
- RESULT: Service cuts or slower response times

Increasing supply chain & transportation costs – materials, chemicals, fuel, contracted services

- Costs are unpredictable and volatile
- Many tied to global markets (fuel, raw materials)
- Directly impact operating and capital budgets



BUDGET CHALLENGES – BH Specific:

Drainage & Anti-Flooding Effort

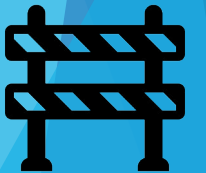
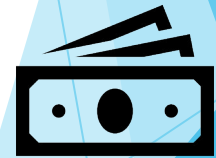
- ☹️ Major drainage projects to address in town, have been tackling them as grant monies and capital funds allow.
- ☹️ Budgeted at least \$300,000 for stream cleaning in 2026; applied for \$4 million from the federal government for stream/river cleaning, with coalition of Long Hill, Chatham Borough New Providence and Summit
- ☹️ West Side Drainage - estimated \$25 million price tag
 - ☹️ Focus is “Phase I” – Sawmill portion of the project, still under review by the NJDEP, have \$2 million in federal aid to add to the \$500,000 already received to complete project, hopefully to begin in 2026 or Spring 2027.

Upgrading Road & Sidewalk Infrastructure

- ☹️ We have more than \$500,000 in grant liabilities alone to fund in 2026, projects MUST be awarded or completed this year.
- ☹️ We continue to seek grants to pave more roads, improve sidewalks and pedestrian safety

Limited Hiring Capability

- Twp needs to hire more people to keep up with services, population demands, but we are limited to appropriations (spending) cap, regardless of tax increase



BUDGET CHALLENGES in BH: SEWER

Waste Water Treatment Plant (WWTP) & Related Systems infrastructure

- WWTP is facing roughly **\$40 million** in projects that should be addressed, need to prioritize
- Township has been diligent in recent years, addressing crucial parts of sewer infrastructure in most need of upgrading, per DEP
- 2026 Operating expenses alone are almost \$2.98 million; capital needs are \$6 million-\$10 million (applied for a \$4 million grant)
- \$21.36 million is still owed on the municipal complex; we can only borrow so much money other infrastructure needs, WWTP needs the most attention, so other projects/department needs get put off

Specific WWTP Projects Funded This Year

- \$166,000 – Peracetic Acid building repairs
- \$300,000 collection systems upgrades, pipeline & manhole repairs - #1 priority from the DEP
- \$180,000 – various projects needed to replace/repair pumps, other equipment
- \$2,000,000 – Hampton Drive force main replacement (estimate)
- \$6,000,000 – electrical transformer upgrades (iBank project, construction no earlier than 2027)

WWTP FAQ

- A single important pump can cost \$90,000
- With current supply chain issues, we need to ensure we have any “extra” parts on hand as needed, else delayed delivery times could result in catastrophic failures
- We need to complete certain projects to stay in DEP compliance, else the Township gets fined
- Increasing chemical, supply, labor costs

LARGEST BUDGET INCREASES

Biggest Increases for Township this year, putting significant strain on the budget:

- 🚗 Health care/insurance costs + liability insurance - \$863,000
- 🚗 Deferred charge for July 15, 2025 summer storm - \$575,000
- 🚗 Health Inspector – shared service for Union County – up at least \$10,000
- 🚗 Gasoline – \$30,000, due to global instability
- 🚗 Sewer operating expenses – over \$625,000
- 🚗 Snow removal– up 69%
- 🚗 Mandatory payments to library – up 18%
- 🚗 Debt service payments – up 120%



SERVICES PROVIDED TO OUR RESIDENTS:



Police Protection and Community Outreach

Court Services



Public Information

Building Inspections

Fire Protection



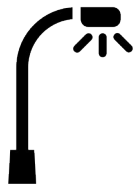
Rescue Squad



Storm Cleanup

Snow Removal

Bi-Weekly Bulk Recycling



Electronics Recycling

Street Sweeping

Sewer Infrastructure Maintenance

Environmental Programs



Public Library

Recreation Programs & Activities

Parks & Fields

Code Enforcement

Fire Inspections

Animal Control

Street Lighting

Yearly Bulk Pickup

Road Repair

Sanitary Sewer Collection

Storm Basin Repair/Replacement

Senior Citizen Programs

& More



COST REDUCTION EFFORTS – SHARED SERVICES:

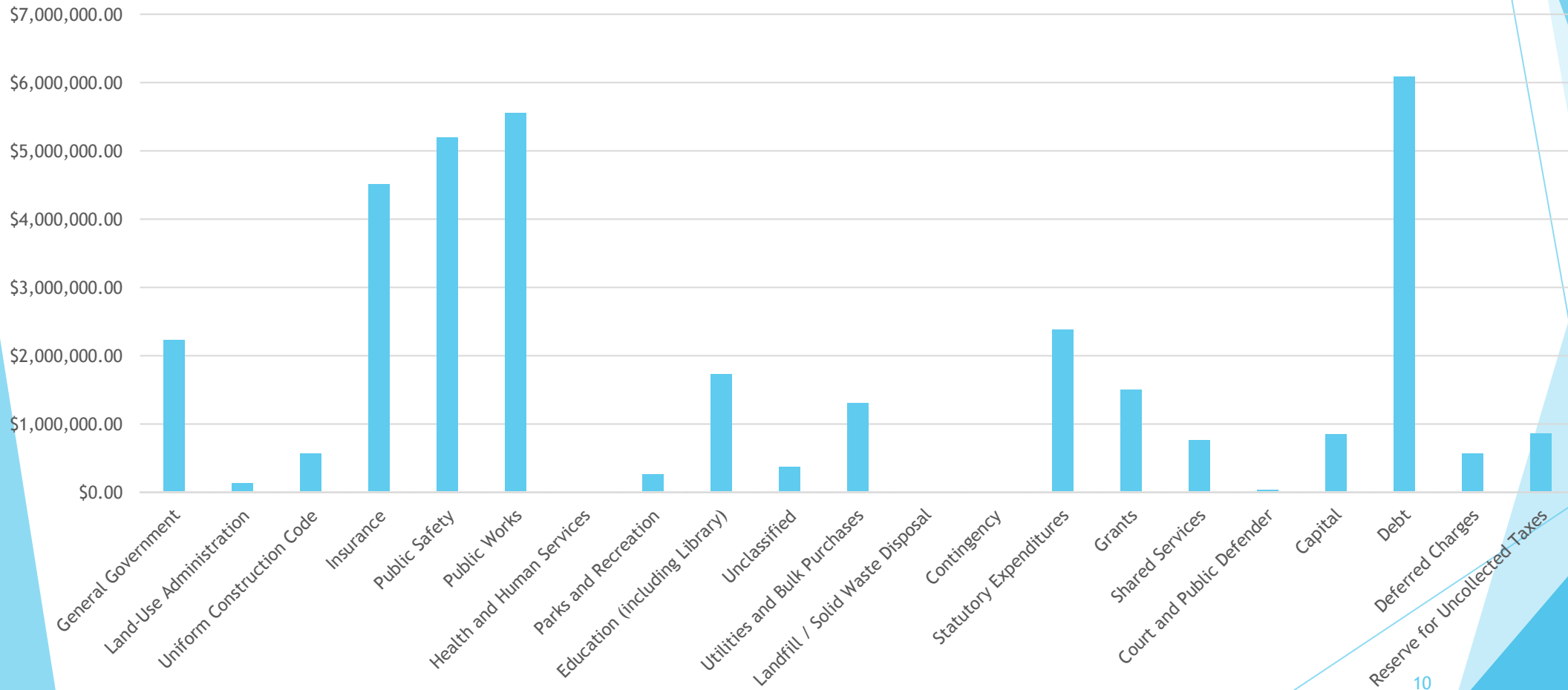
The Township achieves efficiencies of scale through Share Service Arrangements:

- ☎ Court Services – New Providence & Summit
- ☎ Sewer – New Providence
- ☎ CFO – Township of Springfield
- ☎ Health Services – Union County
- ☎ Police Dispatch/911 – Union County
- ☎ Vehicle Maintenance/Repair – Board of Education
- ☎ Police – Board of Education
- ☎ Salt Dome – Union County
- ☎ Confined Space Entry – Borough of Madison



APPROPRIATIONS BREAKDOWN

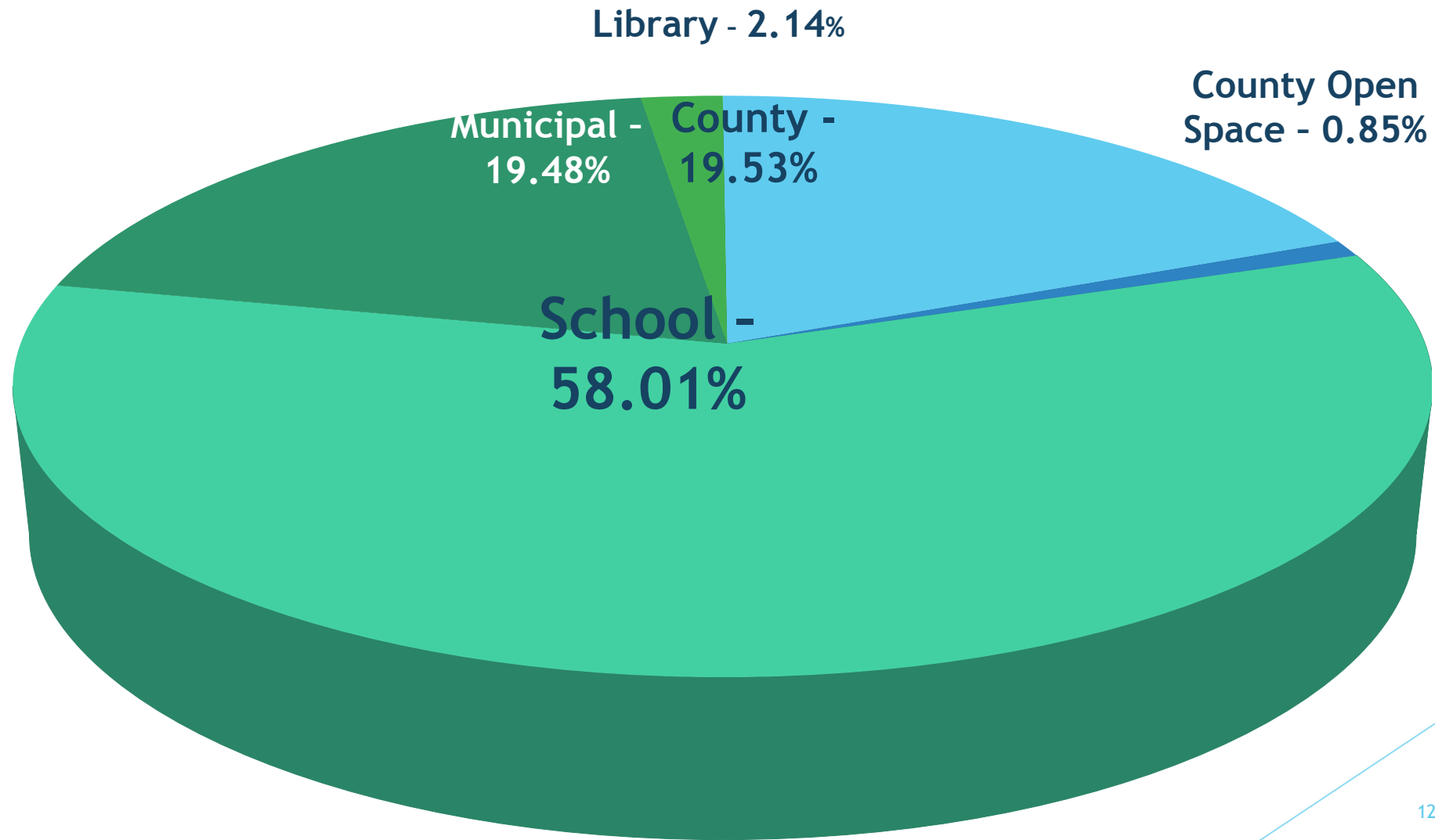
Diagram Title



REVENUES

Local Revenues – Regular and Special Items	\$8,369,635.28
State Aid	\$1,558,962.00
Uniform Construction Code Fees	\$1,200,000.00
Shared Services	\$38,200.00
Grants	\$1,506,563.97

TAX BILL BREAKDOWN (estimated)



County Open Space - 0.85%

Revenue sources are collected by the Township, but only the Township and Library levy are included in our current fund budget. Township has no control over County or School levies. The Township levy is the only budget we control.

2026 ESTIMATED TAX IMPACT:

- 🚗 2026 Municipal Tax Increase is 2.1% which represents
 - 🚗 \$57.46 tax increase per household (average household value = \$322,381)
 - 🚗 Total amount of municipal taxes then paid by each household = \$2,741.89 (the rest of your taxes are the Berkeley Heights School District and Union County)

2026 Avg
Tax Increase
Per
Household =
\$57.46



CAPITAL BUDGET – SUMMARY

Sewer Improvements: Collection system & manhole repairs, Hampton Drive force main replacement, pump station assessments, various pumps, parts, replacement costs, etc. Electrical transformer project estimated to be @ \$6M	\$9.2 million (\$2.3 million possibly paid for with state water grant, \$6 million estimated for construction in 2027)
Public Works: Waterway/stream cleaning (flooding mitigation), lawn mover, equipment storage, dump truck w/plow & salter	\$550,000
Police: Vehicles, radios	\$243,500
Fire Department: PPE, rescue jackets, SCBA cylinders, hose,	\$81,850
Engineering: Sidewalk projects, road paving, stormwater permit requirements, bridge/culvert repair, etc.	\$495,000 (all other necessary funding coming from grants, existing capital)

MOVING FORWARD

The Township will pursue the following to reduce municipal costs, so we can continue to maintain the level of services our community deserves:

- Seek out more shared services with other towns, to reduce costs
- Explore more cost-effective health insurance plans for employees, while also seeking out additional coverage options
- Continue to put certain infrastructure upgrade costs on developers
- Continue to seek out ways for developers to offset impact on the community
- Discuss other potential ways to reduce costs with other towns



THANK YOU



Debt Analysis of the Township

April 7, 2026

Prepared
by:



NW FINANCIAL GROUP, LLC
Exceeding Expectations

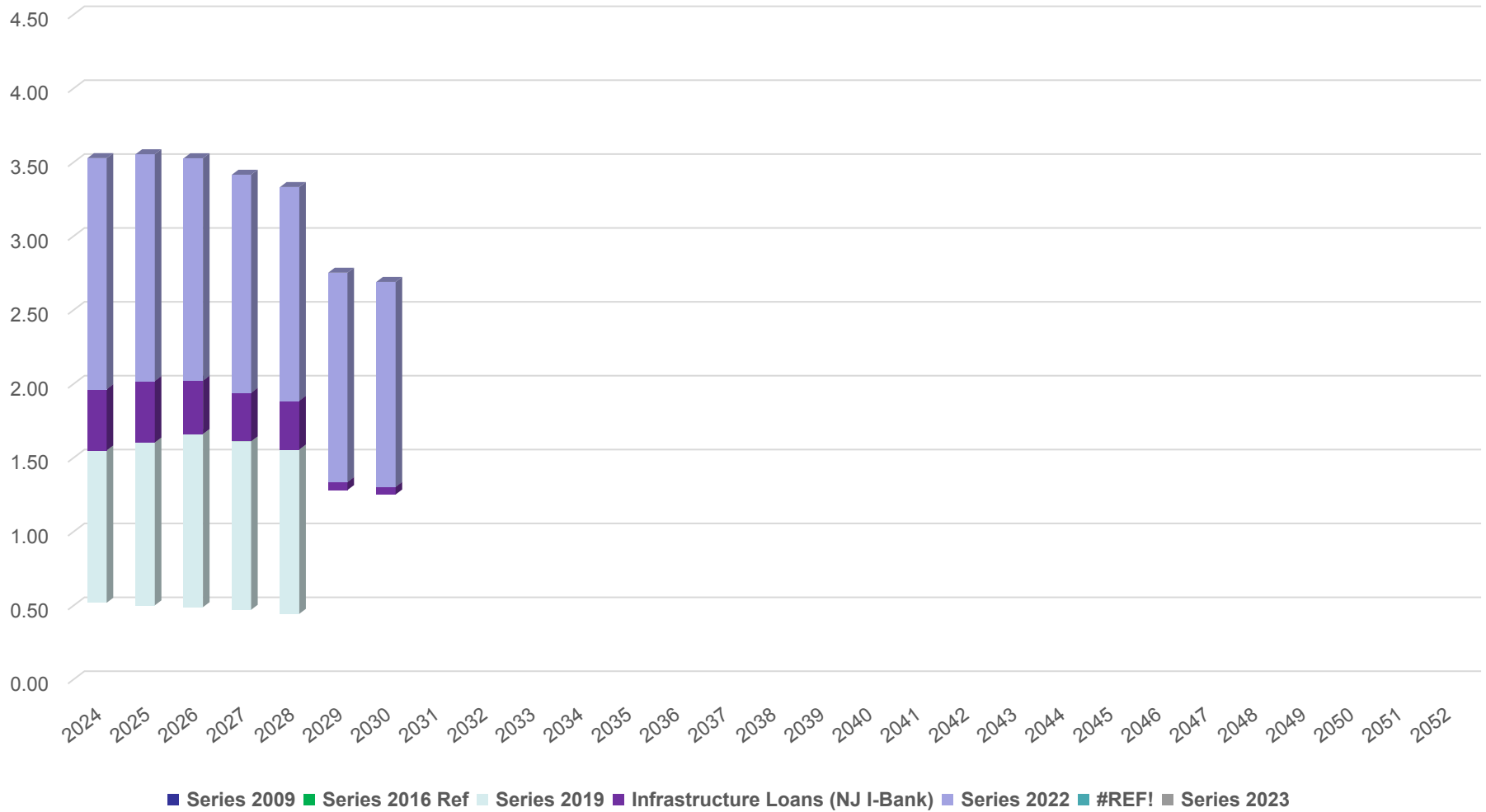
Proven Reputation . Experienced Professionals . Superior Client Service

Current Outstanding Debt

Berkeley Heights		
Summary of Current Outstanding Debt		
(as of 3/25/2026)		
Description by Series	Principal Outstanding	Final Maturity
General Obligation Bonds		
General Obligation Refunding Bonds, Series 2016	\$ 870,000.00	12/1/2027
General Obligation Bonds, Series 2019	11,600,000.00	2/1/2037
General Obligation Bonds, Series 2022	21,405,000.00	7/1/2052
General Obligation Bonds, Series 2023	6,630,000.00	
	<u>\$ 33,875,000.00</u>	
New Jersey Infrastructure Loans		
NJEIT 2004 - Interest Free	16,783.69	2024
NJEIT 2004 - Interest	22,720.64	2024
NJEIT 2007 - Interest Free	453,148.78	2027
NJEIT 2007 - Interest	575,000.00	2027
NJEIT 2009 - Interest Free	78,193.21	2025
NJEIT 2009 - Interest	270,000.00	2029
	<u>\$ 1,415,846.32</u>	
Bond Anticipation Notes		
Bond Anticipation Note, Series 2026	\$ 8,528,000.00	3/25/2027
	<u>\$ 8,528,000.00</u>	
Total Outstanding Principal	\$43,818,846.32	
Net Debt Percentage	1.27%	(as of 12/31/2025)
**Statutory Limit is 3.5%		

Current Outstanding Debt

Berkeley Heights Outstanding General Obligation Bond Debt Service



Summary of Capital Needs

- What are the Township's typical ongoing capital expenses?
 - Ongoing maintenance to the wastewater treatment plant
 - Roads
 - Drainage
 - Equipment
- On March 25th the Township issued \$8,528,000 in Bond Anticipation Notes
 - Rolled over \$2,364,000 from the 2025 Bond Anticipation Notes issuance and added \$6,164,000 in new money for 2025 capital projects (Total Bond Anticipation Note Issuance of **\$8,528,000**)
 - The Township received four bids on the 2026 Notes
 - Jefferies was the winning bidder at a net interest cost of 2.389%
- The 2026 Preliminary Capital Plan is for \$14.2 million which consists of:
 - \$1,548,982 debt authorized in bonds or notes for roads, curbing, sidewalks, drainage, wastewater treatment plant upgrades and various equipment
 - \$6,000,000 I-Bank project for electrical upgrades
 - \$5.9 million of capital is funded from grants
 - \$830k from the Capital Improvement Fund

Existing and Projected Debt Service

Year	\$35,290,846 Principal - Current Outstanding Debt Service ¹	\$4,129,600 2025 BANs ²	\$8,528,000 2026 BANs ³	\$8,889,152 2024 Sewer I- Bank Projects ⁴	\$6,370,437 Sewer I-Bank Project (2024 I-Bank) ⁵	10,073,000 2027 Bonds ⁶	\$6 million Sewer I-Bank Project ⁷	Future Capital in BANs ⁸	\$11,793,000 2033 Bonds ⁹	\$8,000,000 2037 Bonds ¹⁰	\$8,000,000 2041 Bonds ¹¹	Reserve for Debt Service ¹²	Total Existing + Projected Debt Service
2026	4,173,466	1,914,266										(1,765,600)	4,322,132
2027	4,360,455		203,734	825,250									5,389,439
2028	3,794,600			817,500		895,920	391,750						5,899,770
2029	3,737,900			819,500	421,250	908,200	392,250	80,000					6,359,100
2030	3,631,300			820,750	416,250	907,200	392,500	160,000					6,328,000
2031	3,575,400			821,250	416,250	905,400	392,500	308,966					6,419,766
2032	3,519,500			676,000	421,000	907,800	392,250	455,173					6,371,723
2033	3,427,000			674,000	420,250	909,200	391,750	391,724					6,213,924
2034	2,374,300			676,500	419,250	904,600	396,000		1,060,685				5,831,335
2035	2,324,800			678,000	418,000	909,200	394,750	80,000	1,060,685				5,865,435
2036	2,294,800			668,750	416,500	907,600	393,250	160,000	1,060,685				5,901,585
2037	2,264,600			614,000	419,750	905,000	396,500	240,000	1,060,685				5,900,535
2038	1,253,400			605,000	417,500	906,400	394,250		1,060,685	719,529			5,356,763
2039	1,261,000			610,500	420,000	906,600	396,750	80,000	1,060,685	719,529			5,455,063
2040	1,262,200			605,000	417,000	905,600	393,750	160,000	1,060,685	719,529			5,523,763
2041	1,267,200			624,000	418,750	908,400	395,500	240,000	1,060,685	719,529			5,634,063
2042	1,270,800			122,000	420,000	904,800	391,750		1,060,685	719,529	719,529		5,609,092
2043	1,278,000			124,000	420,750		392,750		1,060,685	719,529	719,529		4,715,242
2044	1,283,600			125,750	421,000		393,250		1,060,685	719,529	719,529		4,723,342
2045	1,287,600			122,250	415,750		393,250		1,060,685	719,529	719,529		4,718,592
2046	1,295,000			128,750	415,250		392,750		1,060,685	719,529	719,529		4,731,492
2047	1,300,600				414,000		396,750		1,060,685	719,529	719,529		4,611,092
2048	1,309,400				417,250				1,060,685	719,529	719,529		4,226,392
2049	1,316,200									719,529	719,529		2,755,258
2050	1,316,000									719,529	719,529		2,755,058
2051	1,269,000									719,529	719,529		2,708,058
2052	1,222,000									719,529	719,529		2,661,058
2053													
Total	\$58,670,121	\$1,914,266	\$203,734	\$11,158,750	\$8,365,750	\$13,591,920	\$7,874,250	\$2,355,863	\$15,910,269	\$10,792,932	\$7,914,817	(\$1,765,600)	\$136,987,071

Note: These projections are subject to change and may increase or decrease based on a variety of factors. The Township continues to seek out alternative funding sources for infrastructure projects.

Existing and Projected Debt

Assumptions:

¹Current outstanding bond debt service as of 12/31/2025

²Principal paydowns and interest due on the 2025 BANs.

³2026 note sale net interest cost which was priced on March 12th and closed March 25th

⁴2024 I-Bank projects with an assumed 2-year construction period. First debt payment in 2027.

⁵Sewer Project from 2024. Construction is estimated to be completed in 2027. First debt service starts in 2028.

⁶\$10,073,000 Bond Financing, which permanently finances the 2026 BANs and approximately \$1,548,982 from new money for 2026.

⁷\$6,000,000 I-Bank project for electrical upgrades. Construction in 2027 and 2028 with first debt payment in 2029.

⁸Future note debt service based on \$2.5 million through 2028 and \$2 million annually in 2029 through 2041. Assumes 4% rates on 1-year notes and required principal paydowns when necessary.

⁹\$11,793,000 Bond transaction to permanently finance notes issued in 2028 through 2033. Assumed 4% interest rate over 15 years.

¹⁰\$8,000,000 Bond transaction to permanently finance notes issued in 2034 through 2037. Assumed 4% interest rate over 15 years.

¹¹\$8,000,000 Bond transaction to permanently finance notes issued in 2038 through 2041. Assumed 4% interest rate over 15 years.

¹²Funds on hand to pay debt service

Update on Redevelopment Projects to Offset Debt Service

- The Township contemplated PILOTs for six redevelopment projects to offset debt:
 - Modera at Berkeley Heights (MCRT Mill Creek)
 - Berkeley Terrace (Lockhern/Movie Theater)
 - The Clarus (Kings)
 - Woodcrest (100 Locust)
 - Berkeley Crossing (Berkeley Florist)
 - Berkeley Crossing II (Mondelli)
- Updates on construction for each project:
 - **Modera at Berkeley Heights**– Project was completed January 2023 and receiving full PILOT revenue.
 - **Berkeley Terrace (Lockern/Movie Theater)** – Project is completed and receiving full PILOT revenue.
 - **The Clarus (Kings)** – Project was completed in March 2025 and receiving full PILOT revenue.
 - **Woodcrest (100 Locust)**– Full Certificate of Occupancy received in February 2022 and receiving full PILOT revenue.
 - **Berkeley Crossing (Berkeley Florist)** – Full Certificate of Occupancy received in October 2023 and receiving full PILOT revenue.
 - **Berkeley Crossing II (Mondelli)** – Project was completed in May 2022 and is receiving full PILOT revenue.
- Over 30 years these six projects are expected to produce approximately \$88.8 million in incremental revenue to the Township from 2022 through 2054 which is being used in its entirety to offset debt service of the Township

Additional Redevelopment Projects

- Two additional redevelopment projects paying conventional taxes which will increase revenues to the Township:
 - Connell Park
 - Carriages at Berkeley - Toll Brothers
- Updates on construction for each project:
 - **Connell Park** – Projecting construction completion on the current phase in late 2025/2026.
 - **Hamilton Ave (Toll Brothers)** Construction commenced in 2022 and completed in 2024/early 2025.
- Over 30 years these two projects are expected to produce approximately \$20.8 million in incremental revenue to the Township

Updated Projection of Incremental Revenue to the Township from PILOTs & Additional Taxes

Year	Redevelopment Projects w/ PILOTs						Total PILOT Revenue	Redevelopment Projects w/ Conventional Taxes		TOTAL PILOT and Conventional Tax Revenue
	Moderat Berkeley Heights (Mill Creek MRCT) ¹	Berkeley Terrace (Lockhern) ²	The Clarus (Kings) ³	Woodcrest ⁴	Berkeley Crossing Berkeley Florist ⁵	Berkeley Crossing II (Mondelli) ⁶		Connell Park ⁷	Carriages at Berkeley (Toll Brothers) ⁸	
2026	557,340	87,720	659,699	889,835	141,467	38,264	2,374,326	\$0	266,657	2,640,982
2027	568,487	89,475	619,346	907,632	144,296	39,029	2,368,265	284,364	271,990	2,924,619
2028	579,857	91,264	631,733	925,785	147,182	39,809	2,415,631	290,051	277,430	2,983,111
2029	591,454	93,089	644,368	944,301	150,126	40,606	2,463,943	295,852	282,978	3,042,773
2030	603,283	94,951	657,255	963,187	153,128	41,418	2,513,222	301,769	288,638	3,103,629
2031	615,349	96,850	670,400	982,450	189,442	42,246	2,596,737	307,804	294,410	3,198,952
2032	627,656	98,787	683,808	1,002,099	193,230	43,091	2,648,672	313,960	300,299	3,262,931
2033	640,209	100,763	697,485	1,022,141	197,095	43,953	2,701,645	320,240	306,305	3,328,190
2034	653,013	102,778	711,434	1,042,584	201,037	44,832	2,755,678	326,644	312,431	3,394,753
2035	666,073	104,834	725,663	1,063,436	205,058	45,729	2,810,792	333,177	318,679	3,462,648
2036	679,395	106,930	740,176	1,084,704	209,159	46,643	2,867,008	339,841	325,053	3,531,901
2037	692,983	109,069	754,980	1,106,399	213,342	47,576	2,924,348	346,638	331,554	3,602,539
2038	706,842	111,250	770,079	1,128,527	217,609	48,527	2,982,835	353,570	338,185	3,674,590
2039	720,979	113,475	785,481	1,151,097	221,961	49,498	3,042,491	360,642	344,949	3,748,082
2040	735,399	115,745	801,191	1,174,119	226,400	50,488	3,103,341	367,855	351,848	3,823,044
2041	750,107	118,060	817,214	1,197,601	230,928	51,498	3,165,408	375,212	358,885	3,899,505
2042	765,109	120,421	833,559	1,221,553	235,547	52,528	3,228,716	382,716	366,062	3,977,495
2043	780,411	122,829	850,230	1,245,984	240,258	53,578	3,293,291	390,370	373,384	4,057,045
2044	796,019	125,286	867,234	1,270,904	245,063	54,650	3,359,156	398,178	380,851	4,138,185
2045	811,940	127,792	884,579	1,296,322	249,964	55,743	3,426,339	406,141	388,468	4,220,949
2046	828,178	130,347	902,271	1,322,249	254,963	56,858	3,494,866	414,264	396,238	4,305,368
2047	844,742	132,954	920,316	1,348,694	260,063	57,995	3,564,764	422,549	404,162	4,391,476
2048	861,637	135,614	938,722	1,375,668	265,264	59,155	3,636,059	431,000	412,246	4,479,305
2049	878,869	138,326	957,497	1,403,181	270,569	60,338	3,708,780	439,620	420,491	4,568,891
2050	896,447	141,092	976,647	1,431,245	275,981	61,545	3,782,956	448,413	428,900	4,660,269
2051	914,376	143,914	996,180	1,459,869	281,500	62,775	3,858,615	457,381	437,478	4,753,474
2052	932,663		1,016,103		287,130		2,235,897	466,529	446,228	3,148,654
2053			1,036,425		292,873		1,329,298	475,859	455,153	2,260,310
2054			1,057,154				1,057,154	485,377	464,256	2,006,786
	\$19,698,816	\$2,953,616	\$23,607,233	\$29,961,566	\$6,200,634	\$1,288,369	\$83,710,233	\$10,536,018	\$10,344,206	\$104,590,458

Note: These projections are subject to change and may increase or decrease based on a variety of factors. Assumes an annual increase of 2%.

Existing and Projected Debt Service versus Projected PILOTs Revenue Offset

Year	Total Existing + Projected Debt Service	Less Projected PILOT Revenue	Net Debt Service after PILOT Revenue	Annual Budgetary Increase	Percentage Change	Affect on Average Home (\$321,610)
2024	4,528,269	1,380,263	3,148,006			
2025	5,170,143	1,888,252	3,281,891			
2026	\$4,322,132	\$2,640,982	\$1,681,149			
2027	5,389,439	2,924,619	2,464,820			
2028	5,899,770	2,983,111	2,916,659			
2029	6,359,100	3,042,773	3,316,327	\$34,436	0.22%	\$5.95
2030	6,328,000	3,103,629	3,224,371			
2031	6,419,766	3,198,952	3,220,814			
2032	6,371,723	3,262,931	3,108,792			
2033	6,213,924	3,328,190	2,885,734			
2034	5,831,335	3,394,753	2,436,581			
2035	5,865,435	3,462,648	2,402,786			
2036	5,901,585	3,531,901	2,369,683			
2037	5,900,535	3,602,539	2,297,995			
2038	5,356,763	3,674,590	1,682,173			
2039	5,455,063	3,748,082	1,706,981			
2040	5,523,763	3,823,044	1,700,720			
2041	5,634,063	3,899,505	1,734,559			
2042	5,609,092	3,977,495	1,631,597			
2043	4,715,242	4,057,045	658,198			
2044	4,723,342	4,138,185	585,157			
2045	4,718,592	4,220,949	497,643			
2046	4,731,492	4,305,368	426,124			
2047	4,611,092	4,391,476	219,617			
2048	4,226,392	4,479,305	(252,913)			
2049	2,755,258	4,568,891	(1,813,634)			
2050	2,755,058	4,660,269	(1,905,211)			
2051	2,708,058	4,753,474	(2,045,417)			
2052	2,661,058	3,148,654	(487,596)			
2053		2,260,310	(2,260,310)			
Total	\$136,987,071	\$102,583,672	\$34,403,399			\$5.95

Township of Berkeley Heights
22 Park Avenue
Berkeley Heights, NJ 07922

April 16, 2026

Dr. Kim Feltre
Superintendent

Jennifer Nicholson
Business Administrator

Berkeley Heights Public Schools
345 Plainfield Avenue
Berkeley Heights, NJ 07922

Re: PILOT Properties and Fiscal Impact on the Berkeley Heights School District

Dear Dr. Feltre and Ms. Nicholson:

Thank you for your March 9, 2026 correspondence describing certain fiscal impacts on the Berkeley Heights School District associated with residential developments in the Township paying a Payment in Lieu of Taxes (PILOT) in Berkeley Heights, and requesting the Township to consider providing financial consideration to the School District. We appreciate the continued dialogue between the Township and the Board of Education regarding these residential developments and the broader fiscal challenges facing both entities.

Your letter indicates that the residential developments paying a PILOT currently contribute 57 students to the School District, including students requiring special education and multilingual learner services. The Township recognizes the cost of providing these services and the important role the School District plays in our community. However, I am writing today on behalf of the Mayor and Council to convey that after careful consideration, the Township is unable to grant the request to divert a portion of municipal PILOT revenues to the Board of Education for several reasons.

First, sharing PILOT revenue would disrupt a financial plan the Township developed over 10 years ago, has presented to the public on multiple occasions, and has relied on in making hundreds of subsequent financial decisions. The Township undertook the construction of the new Municipal Building, Police Station and Library based on the plan to utilize revenue from the Township's Constitutionally-mandated Third Round affordable housing development projects, including those paying PILOTs, to pay debt service on the bonds issued to fund this once-in-a-generation-project. As of today, 100% of the PILOT revenue is being used to pay such debt service, and it still is not yet sufficient to pay the full debt service. To illustrate this, and in response to your request for confirmation of projected

PILOT revenues, see the enclosed schedule of PILOT revenues and debt service which has been updated and shared with the public from time to time over the past few years, during budget discussions. This was also presented during our April. 7, 2026 municipal budget introduction, during our conference session. Any diversion of PILOT revenue to another purpose will (1) result in a direct tax increase to the Township taxpayers and (2) will impose significant “cap” restrictions that the Township has deliberately planned around for years by using the PILOT revenue as noted.

Second, the Township is facing similar fiscal challenges in 2026. Like all municipalities in the State, the Township is subject to the State’s 2% municipal tax levy cap, while at the same time facing rising costs related to health insurance premiums and liability insurance, fuel and energy costs, infrastructure maintenance, parts and labor, and debt service. I’ve attached our budget presentation with specifics, for your convenience. If the Township were to re-allocate PILOT revenue to the School District in any given budget year, the Township would have to replace that revenue dollar for dollar, either by raising taxes within the 2% cap or, more likely, by making cuts to the Township’s Operating Budget. By way of example, a transfer of \$2M in PILOT revenue to the School District would completely surpass our 2% cap. The only way the Township could afford to transfer those funds is by making massive employee layoffs. The Township has already cut back on new staff hires – even though they are desperately needed – to stay within a responsible budget, and to stay under our state-mandated appropriations (spending) cap. As it is, most Township departments are already severely short-staffed. The Township needs more police officers, Department of Public Works employees, wastewater treatment plant employees, and others, to accommodate our growing community; yet the Township continues to operate without due to severe fiscal limitations.

Third, during the years 2015-2018, when the Township and Board of Education were planning for these projects, the school district anticipated more students from these projects than what eventually came to fruition. I understand that no Board members or leadership remain from that time, so you may not have the benefit of knowing the history. But using demographic modeling from Rutgers University, it was anticipated that, based on the bedroom mixes of each housing project, there would be around 75 students coming from these units. However, in reality, as you stated, there are 57 to date. Back then, using the assumption of 75 students, the Board of Education was confident the school district could absorb these students, given the declining student enrollment.

Numbers for enrollment for the years below seem to differ depending on what source is used, so we have opted to use numbers from actual School District budget documents available on the District website for the below:

- Yr 2016 – 2,702
- Yr 2017 – 2,623
- Yr 2018 – 2,574
- Yr 2019 – 2,555
- Yr 2020 – 2,498

Yr 2021 – 2,490
Yr 2022 – 2,474
Yr 2023- 2,171
Yr 2024 – 2,327

Data pulled from the District’s annual audits show enrollment at 2,659 in fiscal year 2015-2016, compared to 2,345 in fiscal year 2024-2025. From 2017 to FY2024-2025, enrollment has steadily declined overall by more than 300 students, and the number of anticipated students from the PILOT projects is fewer than anticipated when these PILOT agreements were first put into place.

Meanwhile, the Township has been taking affirmative steps to generate significant new revenues that benefit of the School District, which also increase residential home value. Over the past several years, the Township has worked hard to rezone the Connell office park to provide for significant and exciting development opportunities. Once completed, it is projected that Connell will pay approximately \$36.6 million in new taxes to the School District over the next [30] years, \$900,000 alone in 2027 is anticipated. In addition, the Township partnered with Toll Brothers on the development of the Carriages at Berkeley, negotiations for which began back in 2010. Located on a former tax-exempt church property, the Township agreed to a land swap that permitted the construction of approximately 67 new homes, which, to date have paid approximately \$3.8 million in new taxes to the Township and \$837,000 in 2026 alone to the School District. This project is anticipated to pay approximately \$33.9 million to the School District over the next [30] years. The Township is also encouraged that the School District recently received voter approval to spend up to \$50 million outside the District’s cap to provide for various educational and capital projects. This represents a significant investment in our schools and reflects the community’s ongoing enthusiasm and commitment to supporting its public schools.

We do not come to this conclusion lightly. The Township has had to do more with less year after year with regards to its budget. Township departments have been forced to scale back their budget requests so that we can fund priority, critical repairs at the Waste Water Treatment Plant; our Police Department today has the same number of police officers it did 25 years ago; our DPW head count has grown by just one person in 15 years; and our Town Hall staff has fewer full-time employees than it did over a decade ago. To rein in tax increases and not balloon our debt, we utilize grants, seek out shared services agreements (outside the appropriations cap), cut discretionary spending as needed, scale back planned staff if needed, and engage in other efforts. Every budget year, we attempt to balance our obligation to provide municipal resources and infrastructure sufficient to support all essential local government services with our annual fiscal challenges.

The Township values its longstanding partnership with the Berkeley Heights Public Schools and remains committed to maintaining open communication on issues affecting our community. We appreciate the Board’s engagement and look forward to continued collaboration where possible.

Thank you again for your correspondence.

Respectfully,

Liza Viana
Township Administrator
Township of Berkeley Heights

cc: Township Council