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THOMAS J. TUCCI, JR.

MUNICIPAL CLERK  
KATHLEEN R. STUTZ

April 4, 2022

Dear Cedar Grove Residents,

As many of you are aware, in 2018, the Township entered into a PILOT agreement for the construction and development of the Hilltop Development, located between Grove Avenue and Fairview Avenue.

**What is a PILOT Program?**

New Jersey's Payment in Lieu of Taxes ("PILOT") program was designed to encourage redevelopment or rehabilitation of underdeveloped or dilapidated areas within local municipalities by private developers. Instead of paying taxes on improvements to the property, the developer is responsible for paying an annual PILOT payment, which is generally lower than the property tax amounts for the improvements. Unlike typical property taxes, a portion of which are paid to local school districts to fund the education of students residing within the municipality, no portion of the PILOT payments are provided to the school district for such purposes and the municipality is entitled to keep 95% of those payments, with the remaining 5% given to Essex County.

**What has the Township decided?**

The Township has decided on giving a fixed dollar amount from the PILOT funds generated by the Hilltop Development to the Cedar Grove School District to ensure that the educational needs of students residing in Hilltop are being met. Although the Township is not required to provide these funds to the District, it has determined that doing so is in the best interest of Township students, their parents, and the public as a whole.

**How much money is the Township providing to the District and where is this money coming from?**

The Township is giving the Board of Education \$1.2 million annually for purposes of educating Cedar Grove students residing in the Hilltop Development. These payments will begin on July 1, 2022 and will continue for 25 years until July 1, 2047. These funds will be taken directly from the PILOT payments the Township receives from the homeowners residing in Hilltop each year,

similar to the way that a portion of regular property taxes are designated for use by a local school district.

**How did the Township determine that \$1.2 million is the appropriate amount?**

The Township arrived at this figure as an estimated amount of the actual cost of educating students living in Hilltop. This estimate is based upon the number of students currently residing in Hilltop and the Budgetary Per Pupil Costs of the Cedar Grove Township School District for the 2018-2019 school year—\$16,159 per student—as reported by the District to the New Jersey Department of Education.

**Why did the Township choose to use Budgetary Per Pupil Cost in determining the funds it will provide?**

The Township has determined that the District's reported Budgetary Per Pupil Cost is the appropriate metric for this estimate, as it includes only those expenditures by the District that are directly related to educating its students. The Township specifically considered other alternative metrics, such as the District's Total Spending Per Pupil. However, the Township determined that Total Spending Per Pupil did not represent the actual cost of educating students in the District, as Total Spending Per Pupil includes the District's spending on items not related to student educational services, such as funds spent for school employee benefits, judgments against the District, and the District's debt service.

**Will the money provided to the District be enough?**

The Township is confident that these annual payments to the District will be more than sufficient. Annual student enrollment data filed with the State of New Jersey reveals that student enrollment in Cedar Grove has remained steady or decreased in the past 15 school years, despite the construction of the Hilltop Development. Thus, the District has not experienced a significant increase in operating costs as a result of increased student enrollment attributable to the Hilltop Development. These annual payments from the Township will be in addition to the significant state and federal funding the District receives each year.

Further, New Jersey law currently states that property taxes may not increase by more than 2% each year, meaning that the amount of money provided to a school district from local property taxes is likewise limited to a 2% annual increase. The District's annual budget filed with the Department of Education reveals that, for the 2021-2022 school year, the District has received approximately \$29,372,015 from the property taxes collected by the Township. This means that, for the 2022-2023 school year, the amount that the District will receive from the Township's property taxes could increase by, at most, \$587,440, or 2% of the 2021-2022 levy amount. By providing the District with an additional \$1.2 million on July 1, 2022, the Township has more than doubled the amount of increase in funds that the District is entitled to receive via local property taxes for that school year.

**Why is the Township providing these funds if it is not required to do so?**

Although there is no requirement that the Township provide these funds to the District, the Township is desirous of supporting and promoting the education and civic development of its

young residents by providing funds dedicated to those purposes. The Township is confident that granting these additional funds to the District will only serve to benefit the children and young adults living and learning here in Cedar Grove. In this instance, it is the Township's belief that the benefits of this decision overwhelmingly outweigh the cost.