Proposed School Bond Referendum
September 26, 2017

Dr. René T. Rovtar, Superintendent of Schools
Ms. Katine Slunt, Business Administrator
Board of Education- Finance & Facilities Committee
What is a Bond Referendum?

- A Bond Referendum seeks public approval by vote for the financing of major school construction projects.
- The Referendum specifies projects and amounts of money to be raised.
- Once approved, bonds are issued and paid back over a number of years, we have chosen a 20 year schedule for these bonds.
Why is a Referendum needed?

• In addition to ongoing repairs, our school buildings also require periodic improvements to ensure that a safe learning environment is maintained for our 3,800 students.

• Although our district spends approximately $1.0 million annually to maintain our facilities, this funding falls short of meeting our needs and maintaining our aging facilities.

• In 2015, our District conducted a Facilities Needs Assessment which targeted areas in need of improvement. From the list of projects identified these improvements were identified as high priority items.

• The 2% Tax Levy Cap has limited our ability to fund all capital needs through our annual budget.
Why is one needed now?

• First: A discount of 40% of the principal and bond interest cost for most of the proposed projects is currently available through the State as Debt Service Aid. This will reduce the cost of $17.6 million in improvements to $10.5 million, which is a savings of over $7 million.

• Second: Construction costs remain favorable.

• Third: Interest rates remain very favorable.
District Fiscal History – Budgeted Revenue

- In 2010-2011, the Montville Township Public Schools experienced a dramatic reduction in state aid. As of the 2017-2018 fiscal year, our state aid levels have still not rebounded to that level:
- *Extraordinary Aid for Special Education reimburses the district for only a portion of our special education costs and the eligible amount is prorated. For 2016-2017 this payment represented only 56.75% of our actual costs.*

<table>
<thead>
<tr>
<th>School Year</th>
<th>General State Aid</th>
<th>Extraordinary Aid for Spec. Educ. *</th>
<th>Total State Aid</th>
<th>State Aid Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>$3,221,015</td>
<td>$333,439</td>
<td>$3,554,454</td>
<td>----</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$31,267</td>
<td>$333,439</td>
<td>$364,706</td>
<td>$3,189,748</td>
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<tr>
<td>2011-2012</td>
<td>$669,983</td>
<td>$100,000</td>
<td>$769,983</td>
<td>$2,551,032</td>
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<tr>
<td>2012-2013</td>
<td>$1,755,582</td>
<td>$435,000</td>
<td>$2,190,582</td>
<td>$1,465,433</td>
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<tr>
<td>2013-2014</td>
<td>$1,755,583</td>
<td>0</td>
<td>$1,755,583</td>
<td>$1,465,432</td>
</tr>
<tr>
<td>2014-2015</td>
<td>$1,834,143</td>
<td>$150,000</td>
<td>$1,984,143</td>
<td>$1,386,872</td>
</tr>
<tr>
<td>2015-2016</td>
<td>$1,834,143</td>
<td>$1,100,000</td>
<td>$2,934,143</td>
<td>$1,386,872</td>
</tr>
<tr>
<td>2016-2017</td>
<td>$1,880,323</td>
<td>$1,650,000</td>
<td>$3,530,323</td>
<td>$1,340,692</td>
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<tr>
<td>2017-2018</td>
<td>$1,880,323</td>
<td>$1,600,000</td>
<td>$3,480,323</td>
<td>$1,340,692</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>$14,126,773</td>
<td></td>
</tr>
</tbody>
</table>
District Capital Outlay History

• Since the 2010-2011 school year, the Montville Township Public Schools have included expenditures for capital outlay in the district’s annual budget.

  (**Expenditures in 2015-2016 include the MTHS Media Center Renovation Project - $1,221,069, the Security Window Film Project - $98,500, and the MTHS Auditorium Lighting and Rigging Project - $303,064)

<table>
<thead>
<tr>
<th>School Year</th>
<th>Capital Expenditures Equipment</th>
<th>Capital Expenditures Facilities Acquisition and Construction Services</th>
<th>Total Capital Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>$24,289</td>
<td>$2,230,075</td>
<td>$2,254,364</td>
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<tr>
<td>2011-2012</td>
<td>$183,600</td>
<td>$848,618</td>
<td>$1,032,218</td>
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<tr>
<td>2012-2013</td>
<td>$165,599</td>
<td>$964,265</td>
<td>$1,129,864</td>
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<tr>
<td>2013-2014</td>
<td>$271,990</td>
<td>$995,899</td>
<td>$1,267,899</td>
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<tr>
<td>2014-2015</td>
<td>$128,657</td>
<td>$752,017</td>
<td>$880,674</td>
</tr>
<tr>
<td>2015-2016</td>
<td>$135,632</td>
<td>$3,059,044</td>
<td>$3,194,676**</td>
</tr>
<tr>
<td>2016-2017 *unaudited</td>
<td>$46,424</td>
<td>$1,277,920</td>
<td>$1,324,344</td>
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<tr>
<td>2017-2018 *budgeted</td>
<td>$92,245</td>
<td>$571,043</td>
<td>$663,288</td>
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<tr>
<td>TOTAL</td>
<td>$1,048,436</td>
<td>$10,698,881</td>
<td>$11,747,317</td>
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</tbody>
</table>
How does 40% Debt Service Aid Work?

For past projects, the State offered grants which would provide aid money when projects met completion benchmarks. Example: For a $30 million project, the State would provide monies toward the project through grants, say $10 million, and the district would fund the $20 million through a bond. (Simple translation: The State gave monies as the district met benchmarks and the district would pay the remainder over time).

Today, the State will provide Debt Service Aid for the life of the loan. Example: For a $20 million project, the State will provide annual State Aid for 40% of “eligible” costs (Simple Translation: The State gives money every year to help offset your payments).

Eligible costs: Typically, school construction projects that include rehabilitation, renovations of existing space, and health and safety issues. The final determination is made by the NJDOE.

ALL aspects of this Referendum Project have been deemed as eligible for the 40% debt service aid. This means the residents of Montville pay only 60% of the cost of the project.
The Proposed Projects

- Partial Roof Replacements:
  - High School
  - Lazar
  - William Mason
- Media Center Renovations:
  - Elementary Schools
  - Lazar
- HVAC Controls: District-Wide
- Restroom Renovations: District-Wide
- Gymnasium/All Purpose Room Renovations: District-Wide
- Air Conditioning: District-Wide
The Proposed Costs

<table>
<thead>
<tr>
<th>Referendum Question #1:</th>
<th>GROSS Estimated PROJECT TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roof Replacements</td>
<td>District Cost $ 6,703,699</td>
</tr>
<tr>
<td>HVAC Controls</td>
<td></td>
</tr>
<tr>
<td>Restroom Renovations</td>
<td></td>
</tr>
<tr>
<td>Media Center Renovations</td>
<td></td>
</tr>
<tr>
<td>Referendum Question #2:</td>
<td>$ 3,014,355</td>
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<tr>
<td>Gymnasium/All Purpose Room Renovations</td>
<td>District Cost $ 1,808,613</td>
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<tr>
<td>Referendum Question #3:</td>
<td>$ 3,418,700</td>
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<tr>
<td>Air Conditioning</td>
<td>District Cost $ 2,051,220</td>
</tr>
</tbody>
</table>
Tentative Referendum Timeline

• July 18, 2017 – Board approves the actual referendum questions to be included on the ballot.
• Election has been scheduled for September 26, 2017.
• Polls will be open from 2:00 p.m. until 8:00 p.m.

All voters have the option of VOTING BY MAIL rather than voting at the polls on September 26th. A link to the application to request a Vote by Mail Ballot is available on the district website: [https://www.montville.net/Page/13147](https://www.montville.net/Page/13147)
Referendum Projects – Question 1

Partial Roof Replacements
at MTHS, Lazar and William Mason

HVAC Controls - Districtwide
Referendum Projects – Question 1

Restroom Renovations
Referendum Projects – Question 1

Media Center Renovations –

![Image of a library with bookshelves and carts]

![Image of a library with a counter and book carts]
Referendum Projects – Question 2

Gymnasium/All Purpose Room Renovations
Referendum Projects – Question 3

Air Conditioning in those instructional spaces that do not currently have it, including the gymnasium at Montville Township High School where the Lazar graduation is held and the high school graduation is held in inclement weather.
How does this project impact our annual capital expenses portion of the budget?

- The district has reduced the capital expenditures in the 2017-2018 budget, helping to mitigate the increase in debt.
- The need for major projects is eliminated for the near future - barring a catastrophic occurrence.
How the three questions work:

- It is important to note that QUESTION #1 is a BASE QUESTION that must be passed in order for Questions #2 and #3 to pass.
- Even if Question #2 and/or Question #3 receive more YES votes than NO votes, UNLESS QUESTION #1 is passed, neither QUESTION #2 or QUESTION #3 can pass.
How does this project impact the Average homeowner’s Tax bill?

Assessed home in Montville = $300,000.00
● Estimated Average Household Tax Increase of $57.33

Assessed home in Montville = $400,000.00
● Estimated Average Household Tax Increase of $76.44

Average assessed home in Montville = $528,093.00
● Estimated Average Household Tax Increase of $100.91

--- ASSUMPTIONS ---
◆ 20 year Bond Term
◆ 4.00% Interest Rate
Summary – Benefits of the Referendum

• Protect infrastructure
• Upgrades for education and compliance
• Remain fiscally prudent –
  • Availability of state funding
  • Favorable construction costs
  • Favorable interest rates
Summary – Benefits of the Referendum

DEBT SERVICE AID WILL COVER 40% OF THE COST of all of the components of questions 1, 2 and 3.

With continued discussion about potential revisions to State Aid to Education, there is no assurance that this type of financial support will be available for future referendum projects.

These infrastructure projects do need to be completed by the district. If we are unable to take advantage of the Debt Service Funding at this time, it is possible that the residents would then shoulder the full cost of these projects.
Referendum Election
Tuesday, September 26, 2017

Polls open from 2:00 p.m. until 8:00 p.m.
or

Consider Voting By Mail

A link to the Vote by Mail application is available on the district website: www.Montville.net

Vote by Mail applications must be received by the Morris County Clerk no later than 7 days prior to the election.