

**CRANFORD TOWNSHIP PUBLIC SCHOOL DISTRICT  
DISTRICT-WIDE FACILITIES PROJECTS REFERENDUM  
QUESTIONS AND ANSWERS**

**Referendum Overview**

The Cranford Board of Education is seeking voter approval to undertake a district-wide energy efficiency building systems improvement program targeted at replacing roofs, boilers and heating systems which have served the district well but which have out-lived their usefulness and effectiveness. These improvements need to be undertaken to preserve our investment in our schools and maintain a safe and healthy learning environment for our students. The Board would like to access, again, as it did in 2002, State funding for 40% of the project costs. The State has committed to paying for approximately \$8 million of this proposed project leaving 60% of the project costs, or slightly less than \$12 million to be funded through the issuance of bonds. The Board anticipates paying off the bonds over a 20 year period.

**Question:** What is a bond referendum?

**Answer:** A bond referendum is when a Board of Education seeks voter approval to undertake capital improvement projects to a school and to finance such projects through a long term loan (a bond).

**Question:** Why do we need to have a bond referendum?

**Answer:** A bond referendum is the only way that a Board can borrow money to finance capital improvements over a long period of time. Otherwise, major improvements can only be done in small increments over a long period of time.

Our facilities' boilers, roofs and heating systems are all aging and can not be addressed piece-meal over a long period of time. The annual cost of "band-aids" to keep these systems functioning has become a burden on the district's operating budget.

**Question:** What projects are being proposed in the bond referendum?

**Answer:** The Board is seeking voter approval to undertake district-wide roof/energy efficiency improvements. Those improvements include:

- roof replacement at all eight schools;
- heating/ventilation upgrades at Brookside Place School, Walnut Avenue School and Bloomingdale Avenue School; and
- boiler replacement at Orange Avenue School, Hillside Avenue School and Lincoln School.

**Question:** When is the referendum?

**Answer:** The referendum will be held on Tuesday, December 8, 2009 from 2:00 p.m. to 9:00 p.m. The voting places will be the same as they would for any other election and sample ballots will be sent by mail as usual.

**Question:** Why is this referendum being proposed at this time?

**Answer:** The State recently allocated grant funding for school facility projects in regular operating districts (such as Cranford) based upon a State defined “priority process and determination of critical need”. During the spring of 2009 the District decided to apply to the State for these grants for projects which are considered to be Level 1 (the highest priority) health and safety issues, which address the most critical operational building needs of the District.

Based upon the limited amount of funding available and Cranford being in the “I” District Factor Group category, we were pleasantly surprised that all of our applications were approved when we received our final allocations in mid September, and that they were funded at the maximum amount allowable.

The Board, while being very aware of the current economic climate, has a critical need to maintain our facilities. The utilization of the State funds for these necessary projects will lower the cost to the local taxpayers for work that will have to be done in the very near future and would have to be funded entirely with local taxpayer monies.

**Question:** The project includes many renovation items including roof replacement, boiler and heating system upgrades. Why weren't these improvements done as part of the Board's regular budget?

**Answer:** There are several reasons. Certain building systems, such as the boilers, roofs and heating systems, over time, just wear out regardless of continued annual maintenance. Because there is a "cap" on how much the regular operating budget can increase each year, major, costly replacements can not be undertaken through the annual budget.

Additionally once installed, such major replacements last a long time...many years. The Board would like to borrow for such improvements and spread the cost of the improvement over the generations that will use it rather than have the taxpayers pay for it in one year.

The heating systems to be upgraded as part of the referendum are over 50 years old! The boilers to be replaced are over 40 years old and the roofs to be replaced are well past their useful lives with most about 25 years old. These improvements need to be undertaken to protect our investment in our school facilities and to provide a safe and comfortable learning environment for our students. It is not a matter of whether they need to be done, but, rather how to pay for the improvements and whether we want to take advantage a current program whereby the State will pay for 40% of the project costs if the referendum passes.

**Question:** What is the cost of the project and how much is the State contribution?

**Answer:** The maximum cost of the project is \$19,981,269. **The State has agreed to contribute a grant in the amount of 40% of such cost, or \$7,992,506. The State grant will reduce the taxpayers' share of the project costs to 60%, or \$11,988,763, which will be funded through the issuance of long term school bonds.**

The State's contribution to the project is a very high percentage compared to other districts statewide. The reason that the percentage is so high is that all of the project costs have been deemed "eligible" for aid by the State.

**Question:** Is the State funding “guaranteed”?

**Answer:** Yes. The State contribution is in the form of individual grant agreements, one per school building, and not in the form of State aid which is subject to annual appropriation in the State budget and subject to possible future reduction and cuts. The agreements have already been approved by the State and the funds have been earmarked for use by Cranford Public Schools. These agreements will be formally executed by the Board if this referendum is successful in December. If the referendum is unsuccessful, the State will reallocate these funds.

**Question:** How will my property taxes be affected?

**Answer:** It is anticipated that the project will be financed over a 20 year period at approximately 4%. Based upon \$181,000 of assessed value (the average assessed home in Cranford) the following represents the Board’s projection for the debt service impact is approximately \$95 on the average homes.

For the average home, the highest annual impact of \$95 represents just under \$8 per month and less than \$2 per week.

The amount the State in contributing equates to approximately \$63 per year which would have to be paid by the local taxpayers if these projects were to be funded entirely through local property taxes.

**Question:** Why is it a good time to undertake these facilities improvements?

**Answer:** In order to finance the improvements, the Board must borrow the money over time. The Board now has the opportunity to borrow at interest rates which are now at the lowest levels in decades. Locking in these low interest rates now will minimize the impact on taxes over time.

In addition, the State has committed to pay 40% of the costs with local taxpayers only having to cover 60% of the costs. This State funding is only available if the referendum passes.

**Question:** How much debt does the District currently have outstanding?

**Answer:** The District, as of June 30, 2009, has one issue outstanding with a balance of \$2,852,000, which was from the last referendum that occurred in 2002. The amount outstanding is only 1.71% of the maximum debt that the District can carry (\$166,454,060) and is very low as compared to that of neighboring districts. The reason being is that separate bond referendums are done very infrequently in Cranford with the last being in 2002 and before that 1992.

**Question:** The costs and square foot costs seem very high. I have seen buildings being renovated at much lower square foot costs. Why is public construction more expensive than private construction?

**Answer:** There are several reasons why public construction is more expensive.

First the district is required to pay prevailing wage on all of its construction contracts, unlike a homeowner. In addition, the project must be bid and then awarded to the lowest bidder that is approved and qualified by the State. The School construction code has many requirements that homeowners and private industry are not required to meet.

In addition, our Architect's budget is based upon their experience in bidding other school projects and is also based upon the prices of recent projects in the area that have gone out to bid.

**Question:** Why isn't the Board considering the installation of solar panels on the new roofs at this time?

**Answer:** The entire project is expected to provide energy efficiencies in the school facilities and reduce energy costs. The Board is further considering providing further energy efficiencies through the installation of solar panels and the roofs are being designed to support appropriately sized solar panel systems.

At this time, there are several ways to finance and install solar panels on the schools roofs. Issuing bonds is just one of the methods. A power purchase agreement is also an available method by which to install solar panels, have reduced energy costs but, unlike bonding, there are no capital costs to the power purchase agreement option.

The power purchase agreement option is new to school districts in the State and the Board is evaluating its options for the installation of solar panels.

**Question:** Will there be any additional operating costs?

**Answer:** No. The Board does not anticipate any additional operating costs as a result of the project. Instead, the Board anticipates that there will be operational savings as a result of the project including energy savings and the fact that the Board will not need to spend operational dollars on expensive facility “band-aids” which have occurred in the past.

**Question:** When will construction begin and end?

**Answer:** Since there are operations in schools throughout the summer and the amount of construction is significant, all projects identified in the referendum can not be complete within one year. We are in the process of planning the construction work in the anticipation of the referendum passing. We currently expect that the construction of the referendum items will be done over an approximate two year time frame.

**Question:** How will the question appear on the ballot?

**Answer:**

### **EXPLANATORY STATEMENT**

The Board is seeking voter approval to undertake district-wide roof/energy efficiency improvements. Those improvements include:

- roof replacement at all schools;
- heating/ventilation upgrades at Brookside Place School, Walnut Avenue School and Bloomingdale Avenue School; and
- boiler replacement at Orange Avenue School, Hillside Avenue School and Lincoln School.

The State had agreed to contribute a grant in the amount of 40% of the project costs, or \$7,992,506. The State grant will reduce the taxpayers’ share of the project costs to 60%, or \$11,988,763, which will be funded through the issuance of school bonds.

## **PROPOSAL**

**The Board of Education of the Township of Cranford in the County of Union, New Jersey is authorized to (A) undertake district-wide roof/energy efficiency improvement projects including roof replacement at all schools; heating/ventilation upgrades at Brookside Place School, Walnut Avenue School and Bloomingdale Avenue School; and boiler replacement at Orange Avenue School, Hillside Avenue School and Lincoln School; (B) expend on such projects an aggregate amount not exceeding \$19,981,269, which expenditure shall be funded, in part, with a \$7,992,506 State grant, based on aggregate final eligible costs of \$19,981,269 as determined by the Commissioner of Education; and (C) issue bonds in an aggregate amount not exceeding \$11,988,763 representing the School District's local share of projects costs. The local shares of each of the projects may be transferred among projects.**