



Monticello Central School District

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"Greater than the Average"

To: Tammy Mangus
From: Lisa Failla
RE: Capital Improvements
Date: April 9, 2018

There seems to be a misunderstanding of the capital improvement process for school buildings and how to proceed since the building project was rejected by the voters. The capital improvement process is complex. It not only involves the authorization for the improvements, but how state aid is allocated, what is aidable, how to get approval.

What I believe is not fully understood by our constituents, is that ANY improvement to the districts buildings requires SED approval. SED Facilities Planning office is our building inspector. They ensure that any work done is compliant with the related NYS building code. The definition of a capital improvement from SED's Code Compliance Workbook is "A capital project includes any construction work done in or on an existing facility as well as the creation of new space with the nature of work such that it must comply with various codes and therefore requires a Building Permit. The Building Permit is used to assure that the work will be done properly to preserve the health and safety of facility's occupants or users. Certain types of site work and open structures also require Building Permits". The dollar threshold for a Building Permit is \$5,000. SED allows districts to spend up to \$100,000 each year on minor projects and receive building aid, anything over \$5,000 requires a building permit. In the manual SED emphasizes, "For any capital project that requires a Building Permit from our office, regardless of the anticipated total cost of the construction contracts, the district or BOCES must make a formal submission to our office that includes plans and specifications which are signed, sealed and certified by an architect or engineer who is licensed by the State of New York."

Take note immediately that we can't just spend money within the general fund budget to improve our buildings. We never could. Not without going through the process as listed. We can't replace unit-vents or boilers or roofs or plumbing without a building permit which will require architect certified plans. Obviously, these types of replacements cost significant amount of money and are eligible for building aid, but we must follow the appropriate process to receive that aid. We can on the other hand make repairs that are recurring work items which must be done to promote the upkeep of a property and keep things in proper operating condition or maintenance work. These items are part of the general fund budget and are not submitted for building aid. Our facilities have been beyond this type of repair work for over a decade. In any

case, we must build funding pathways to complete emergency repairs to keep our buildings operational until a referendum can be approved. We have boilers that we can't get parts for. Our pipes are covered in asbestos that requires a specialist vendor to remove and in some cases will require the building to be closed to do the work. We are at a critical point with our infrastructure. Clark Patterson Lee, LeChase and Central Office will be meeting to review the priority 1 and 2 items in the Building Condition Survey to bring forward a proposal for the Board to review. In order to obtain SED approval for repair work, items identified as priority 1 and 2 on the Building Condition Survey, must be addressed first.

In addition, questions were raised with regard to the Capital Reserve Fund and why the district hasn't used that funding to correct some of the issues. How reserve funds are created and used is governed by law. Specifically, voter authorization is required to create a Capital Reserve Fund. Once the voters approve the creation of the reserve, which must state the maximum funding limit and how long the fund will be in existence, the Board of Education can then fund the reserve using excess fund balance. In order to use the reserve to offset the cost of a project, the district must ask the voters to approve the use of the capital reserve. If the voters do not authorize the use of the capital reserve by the expiration of the term, the funds must be returned to the taxpayers. Capital reserve funds cannot be replenished. The fund exists for the term and up to the maximum funding limit. A district may have multiple Capital Reserve Funds. There is one option for the Board to access the reserve without voter approval. The Board would have to declare that an emergency exists. An emergency according to SED is when the health, safety and welfare of students and staff is in imminent danger. If the Board declares an emergency and accesses Capital Reserve Funds to pay for the repair, the Board MUST replenish the Capital Reserve Fund within 18 months. In other words, what you use from the fund must be put back.

Another critical item of clarity necessary to understand for us to move forward is the debt service payment for the Middle School. The district will make the final payment on that bond in July 2019. That is the 2019-20 school year. Which means we must replace that debt service payment in the 2020-2021 school year. In speaking with Fiscal Advisors, we can issue a Bond Anticipation Note in the 2020-2021 school year in the amount of one year's debt service payment, if we have at least that same amount of work to be paid for, if we have a voter approved capital improvement project. That will preserve the debt payment within the tax cap calculation, so the levy can remain stable. Debt service payments are removed from the amount of the levy subject to the CPI increase and then added back in after that calculation. This prevents districts from increasing the levy on debt service, but allows districts to levy taxes for previously approved debt service payments.

The timeline for moving forward is:

- Now
 - Reallocate funds within the General Fund budget in preparation for any emergency repairs that may arise during the 2018-19 school year.
 - Work with CPL and LeChase to review priority 1 & 2 items from the BCS.
- Next 4-6 months – Create a priority proposal for the Board to consider placing before the voters for approval either in the fall of 2018 or as part of the regular budget vote to be held in May 2019.

A final critical point to understand as we move forward is the May 2018 budget vote. If the budget is defeated, the district can adopt a contingent budget that keeps the tax levy at the same amount as the most recent approved budget. The tax levy for the 2017-18 school year was \$43,330,000. The proposed tax levy for the 2018-19 budget increased by 0.74% to \$43,650,000. If the budget is defeated, the district will need to cut \$320,000 from the proposed 2018-19 budget and the Board can adopt that as a contingent budget. The Board can also place a revised budget before the voters in June 2018. If the Board chooses to adopt a contingent budget for the 2018-19 school year, certain items are non-contingent items and must be removed from the budget, for example: No outside use of district facilities only if there is no cost to the taxpayers and equipment. Contingent items are any other item the Board determines as absolutely necessary to operate and maintain schools, with emphasis on those expenditures considered essential to maintain an educational program, preserve property and assure the health and safety of students and staff. A contingent budget places a cap on administrative expenditures as well.

In short, I will work with CPL to ensure that our facilities are repaired and maintained so that the educational program doesn't suffer and gives all our students the best opportunity to learn and thrive. In my opinion a capital project is the only way to achieve this goal and ensure that we are being fiscally responsible to the taxpayers of the district.