

Understanding the Difference Between Preventive Maintenance and Repair and a “Capital Project”

Owning a home is a long-term investment. Aside from the routine care resulting from normal “wear and tear,” the home’s infrastructure has a lifecycle. When that lifecycle ends, replacements are needed or systems will eventually fail. School buildings have these same upkeep needs.

For schools, the operating budget ([click here to view](#)) provides funding for the routine, preventative maintenance and small repairs resulting from wear and tear. The District currently budgets \$100,000 for this purpose (see budget line A1621.409). This has been increased since 2001-2002, when the amount budgeted was \$25,000. Proposing increases or decreases to this budget line is done when developing the annual school budget that the community votes on each May.

This operating budget is not intended to fund large-scale projects, which are referred to as “capital projects.” Examples of capital projects include items such as replacing a roof, updating HVAC systems, replacing gym floors, and other major, costly projects that generally require State Education Department (SED) approval. Schools often borrow the funds to cover these expenses.

Taxpayers have similar experiences with budgeting for and funding their own home maintenance projects. While general maintenance needs are frequently addressed through the homeowners’ day-to-day budget, extensive overhauls often require a home improvement loan. This does not mean you, the homeowner, did not maintain your home, only that some projects are above and beyond what can be funded from your personal budget.

For instance, a leaky pipe would result in a call to the plumber for an immediate repair. While its cost would be unwelcome, it would be considered one of those

“normal wear and tear” expenses all homeowners experience. However, if all of the home’s pipes were aged and deteriorated, a complete overhaul of the plumbing system may be required. This would be a major expense for most homeowners and would require a significant investment, likely resulting in borrowing. However, by upgrading the entire plumbing system, the homeowner would be protecting himself from the cost of fixing the pipes one at a time, as well as avoiding any potential damage that is likely to happen if the deterioration is ignored and the pipes burst.

The district has a preventative maintenance program and routinely performs small repairs as the budget allows. Examples include:

- Replaced failed water main valves and backflow preventer at High School
- Replaced draft inducers on chimneys at Duzine
- Added phase protection to HVAC motors at Lenape and Duzine
- Rebuilt control panels for submersible well pumps at the HS

Large projects, or capital projects, required the State’s approval and may be eligible for State Aid to offset the cost to the local taxpayer. Normal wear and tear maintenance do not generate State Aid to help cover the local costs.

Examples of recent repairs that did not require the State’s approval are:

- Replaced the Public Address (PA) system in High School
- Replaced the domestic hot water boiler and support piping at High School
- Built an ADA Compliant ramp for access to technology and music education rooms in the Middle School
- Replaced the fire alarm at Lenape

The most common method of funding a capital project is to define a specific project scope in a proposition or referendum and ask the voters for approval. Projects such as these are generally eligible for State building aid.

Another way to conduct a project would be to include funds in a budget line A9950.950 "Transfer to Capital Fund" using the description of "renovations or additions to district buildings." This would allow projects to be approved as part of the annual budget. This strategy had been used by the district several years ago, but was dropped during budget cuts. While projects completed through this budget line are often eligible for State Aid, the annual amount to fully fund all capital needs would probably be in the \$2 million to \$3 million range.

The Board of Education has grappled with several years of budget challenges in its attempt to balance educational need with taxpayer needs. This has been especially challenging in the last few years under the tax levy limit determined by the State's formula. Without additional revenues, increasing the district's funding in the transfer to capital or maintenance repair lines would result in either increases in taxes or cuts to other areas of the budget. The Board has chosen to maintain its focus supporting a strong educational program.