State of New Jersey

DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

JON S. CORZINE
Governor

LUCILLE E. DAVY
Commissioner

June 30, 2009

Ms. Margaret Hintz, Board President
Rocky Hill School District
P.O. Box 270
Rocky Hill, NJ 08853

Dear Ms. Hintz:

Pursuant to P.L. 2007, c.63 and A-4141, signed into law by Governor Corzine on June 30, 2009, I have reviewed the enclosed plan submitted by the Somerset County Executive County Superintendent to eliminate the non-operating Rocky Hill School District and to provide for the education of the children from Rocky Hill in the Montgomery Township School District.

I find that the Executive County Superintendent's plan adequately addresses the statutory requirements for the elimination of the non-operating district. In particular, the plan provides for the continuation of a nine member board of education elected for staggered three year terms. Current members of the Montgomery Township Board of Education will continue in office until the expiration of their respective terms, at which time the successor shall be elected at-large by the voters of the new district. Within 30 days of the merger of the districts, the Executive County Superintendent will appoint a representative from Rocky Hill to serve as a voting member of the Montgomery Township Board of Education until the first Monday succeeding the first annual election in which a member of the Montgomery Township Board of Education is elected at-large.

The Executive County Superintendent further recommends that for the first year (2009-10), the tax levy be allocated in the amounts that were included in the districts' 2009-10 budgets. Thereafter, the Executive County Superintendent recommends that the levy be apportioned through a combination of 38.5% equalized valuation and 61.5% pupil enrollment. I find that this recommendation results in the least-fiscally disruptive tax levy allocation as required by the statute.

I further agree with the recommendations of the Executive County Superintendent regarding the liquidation of the remaining assets and the closing of the fiscal books of the Rocky Hill School District, and regarding the remaining issues set forth in the Executive County Superintendent's plan. I conclude that this plan will effectuate the legislative intent

behind P.L. 2007, c.63 and A-4141 while causing the least disruption to the affected districts.

For all of the foregoing reasons, I approve the plan submitted by the Somerset County Executive County Superintendent for the merger of the Rocky Hill School District with the Montgomery Township School District, effective July 1, 2009. I direct the Somerset County Executive County Superintendent to work closely with the two districts to ensure that this plan is implemented promptly, and that the transition to a single combined district is accomplished as seamlessly as possible.

Sincerely,

Lucille E. Davy
Commissioner

Enclosure

c: Executive County Superintendent
Executive County Business Administrator
School Business Administrator, Rocky Hill School District
School Business Administrator, Montgomery Township School District
Board President, Montgomery Township School District
Chief School Administrator, Montgomery Township School District

Somerset

REPORT ON NON-OPERATING SCHOOL DISTRICT

Rocky Hill

Submitted by:

Trudy Doyle

Executive County Superintendent

Final Report - June 30, 2009

I. FOREWORD

Public Law 2007, Chapter 63, (known as "CORE legislation") was enacted to encourage financial accountability of local units of government, including school districts. The CORE legislation serves to empower citizens, reduce waste and duplication of services, in districts, and direct shared services and consolidation consistent with amendments to existing law.

The CORE legislation established the position of Executive County Superintendent (ECS). In accordance with plans submitted to the Commissioner of Education, the ECS is required to eliminate districts located in their counties that are not operating schools ("non-operating school districts"). The accountability regulations, N.J.A.C. 6A:23A, promulgated consistent with the above law and recently proposed under the Administrative Procedures Act with substantive amendments reiterates the requirement for the ECS to submit such plans to the Commissioner to eliminate "non operating school districts." N.J.A.C. 6A:23A-2.4. In addition, the Legislature has passed and the Governor intends to sign A-4141 which clarifies the procedures under which the non-operating school districts will be eliminated and merged into existing school districts.

Rocky Hill, a Pre-K to grade 12 district, sends it students to Montgomery Township School District in a sending-receiving relationship that has spanned many years. Accordingly, both of these districts are academically assimilated, leaving fiscal and governance as two of the major remaining issues to complete full assimilation. This report presents a plan to join Rocky Hill and the Montgomery Township District into a single school district to serve the students from both communities.

II. COMMUNITIES

A. Description

Rocky Hill:

Rocky Hill is a borough of .64 square miles in the southeast corner of Somerset County in central New Jersey. Its form of government is that of a borough, with a mayor and a six member council. It is primarily a residential community.

Montgomery Township:

Located in the southern portion of Somerset County – six miles from Princeton University and roughly half way between New York City and Philadelphia – the Township is an historic 32 square mile community with an agricultural heritage.

The Township is governed by an elected mayor, deputy mayor and three members of the Township committee. It is primarily a residential community.

B. POPULATION

1. Total

	Year 2000	2003	2007
Rocky Hill	662	658	678
Montgomery	17,481	20,906	23,023

(Source: http://www.census.gov/popest/cities/tables/SUB-EST2007-05-34.xls)

2. Ages (Ranges) 2000

Age Range	Under 5	5 to 14	15 to 19	20 and over	Total
Rocky Hill	38	82	20	522	662
Montgomery	1,473	4128	1686	14,765	22,052

(Source: U.S. Census www.factfinder.census.gov)

3. Birth Rate (1998-2004)

Year	1998	1999	2000	2001	2002	2003	2004	2005
Rocky Hill	10	6	6	9	8	8	10	7
Montgomery	218	223	249	251	262	269	245	226

(Source: N.J. Dept. of Health & Senior Services www.state.nj.us/health)

C. HOUSING

1. Total

	Permanent
Rocky Hill	295
Montgomery	7,397

(Source: U.S. Census www.factfinder.census.gov)

2. Growth (Bldg. permits 2000-2006)

	2000	2001	2002	2003	2004	2005	2006
Rocky Hill	0	1	0	0	0	0	0
Montgomery	207	176	655	399	60	17	6

(Source: N.J. Dept. of Labor & Workforce Development www.wnjpin.state.nj.us)

D. Net Valuation Taxable

RATABLES AS OF 10/01/2008

ROCKY HILL	$62,506,662
MONTGOMERY	$3,762,277,120

(Source: www.state.nj.us/treasury/taxation/1pt/lptvalue.shtml)

III. SCHOOL DISTRICTS

A. Board of Education

Rocky Hill is a Type II district with an elected board consisting of five (5) members elected for staggered three-year terms.

Montgomery Township is a Type II district with an elected board consisting of nine (9) members elected for staggered three-year terms.

Combined Board of Education

In accordance with A-4141, the new combined district would continue with an elected board consisting of nine (9) members elected for staggered three year terms. For 2009-10 and beyond, the members of the Montgomery Township Board of Education will continue in office as members of the combined district until the expiration of the respective terms for which they were elected. In any year in which the term of a member of the board of education of the new district expires, his successor shall be elected at-large by the voters of the new district. Within 30 days of the merger of the districts, the ECS will appoint a voting member from Rocky Hill to be added to the existing Montgomery Township Board of Education, thereby increasing the membership of the board temporarily to ten (10) members. Such member appointed by the ECS shall serve on the board until the first Monday succeeding the first annual school election in which a member of the Montgomery board of education is elected at-large.

B. Enrollments

The tables below present Rocky Hill's and Montgomery Township's individual resident enrollments by grade levels, for the four years 2005-06 through 2008-09.

Table 1: Enrollment- Non Operating School District - Rocky Hill Borough

For Year	Total	K	1	2	3	4	5	6	MS7-8	HS9-12	Sp Ed
2005-06	80	5	8	4	7	7	4	3	9	20	13
2006-07	82	11	6	8	4	7	7	4	6	17	12
2007-08	85	7	10	4	7	4	7	7	7	18	14
2008-09	94.5	1.5	5	13	6	8	5	4	15	18	19

Table 2: Enrollment-Montgomery Township School District

For Year	Total	K	1	2	3	4	5	6	MS7-8	HS9-12	Sp Ed
2005-06	5114	275	379	351	394	354	370	370	736	1379	506
2006-07	5229.5	374	317	353	363	395	362	365	742	1441	517.5
2007-08	5172.5	231	333	331	353	380	402	365	752	1498.5	572
2008-09	5272.5	281	293	356	336	368	399	417	773	1476	528.5

(Source: New Jersey Department of Education Application for State Aid, 2005-2008)

C. FINANCIAL

1. Budget Information

The following tables summarize Rocky Hill's and Montgomery Township's actual financial results for 2006-07, 2007-08, and budget data for 2008-09, 2009-2010.

	ROCKY HILL			
	2006-2007	2007-2008	2008-2009	2009-2010
APPROPRIATIONS	ACTUAL	ACTUAL	BUDGET	BUDGET
GENERAL FUND	$1,089,686	$1,173,232	$1,466,054	$1,439,965
SPECIAL REVENUES	$0	$0	$0	$0
DEBT SERVICE	$0	$0	$0	$0
TOTAL	$1,089,686	$1,173,232	$1,466,054	$1,439,965
REVENUES				
LESS: STATE AID-OTHER	$76,926	$80,600	$94,353	$94,353
LESS: STATE AID-ADJUSTMENT		$0	$0	$0
LESS: OTHER REVENUES	$83,751	($32,110)	$15,878	$34,692
LESS: FEDERAL; SPECIAL; DEBT				
TOTAL	$160,677	$48,490	$110,231	$129,045
TAXES TO BE RAISED	$929,009	$1,124,742	$1,355,823	$1,310,920
TAX AS % OF TOTAL APPROPI	85.25%	95.87%	92.48%	91.04%

	MONTGOMERY			
	2006-2007	2007-2008	2008-2009	2009-2010
APPROPRIATIONS	ACTUAL	ACTUAL	BUDGET	BUDGET
GENERAL FUND	$60,684,807	$64,178,996	$68,625,829	$69,513,128
SPECIAL REVENUES	$1,105,330	$1,295,473	$1,429,328	$1,358,353
DEBT SERVICE	$7,024,067	$6,682,655	$6,625,840	$6,529,562
TOTAL	$68,814,204	$72,157,124	$76,680,997	$77,401,043
REVENUES				
LESS: STATE AID-OTHER	$4,378,028	$4,528,138	$5,351,360	$5,604,734
LESS: STATE AID-ADJUSTMEN	$0	$0	$14,541	$0
LESS: OTHER REVENUES	$1,704,677	$2,596,479	$4,272,722	$3,278,739
LESS: FEDERAL; SPECIAL; DE	$1,426,459	$1,754,477	$1,752,480	$1,673,986
TOTAL	$7,509,164	$8,879,094	$11,391,103	$10,557,459
TAXES TO BE RAISED	$61,305,040	$63,278,030	$65,289,894	$66,843,584
TAX AS % OF TOTAL APPROPI	89.09%	87.69%	85.14%	86.36%
GENERAL FUND	$54,602,102	$57,054,379	$58,987,206	$60,629,655
DEBT SERVICE	$6,702,938	$6,223,651	$6,302,688	$6,213,929
TOTAL TAX LEVY	$61,305,040	$63,278,030	$65,289,894	$66,843,584

(Source: School Districts' Budget Statements for 2008-09 and 2009-2010)

2. Equalized Valuation

The tables below present the Borough's and Township's assessed and equalized valuations, true values ratios and year-over-year growth, for 2004 to 2008.

Assessed and Equalized Valuations

ASSESSED AND EQUALIZED VALUATIONS

ROCKY HILL

HISTORY	ASSESSED	EQUALIZED	RATIO	YEAR OVER YEAR ASSESSE	EQUALIZE
2004	$61,710,513	$104,098,881	59.28%	N/A	N/A
2005	$61,881,553	$120,714,881	51.26%	0.28%	15.96%
2006	$62,133,733	$131,506,346	47.25%	0.41%	8.94%
2007	$62,303,496	$134,752,765	46.24%	0.27%	2.47%
2008	$62,506,662	$139,003,219	44.97%	0.33%	3.15%

ASSESSED AND EQUALIZED VALUATIONS

MONTGOMERY

HISTORY	ASSESSED	EQUALIZED	RATIO	YEAR OVER YEAR ASSESSE	EQUALIZE
2004	$3,048,033,805	$3,655,427,363	83.38%	N/A	N/A
2005	$3,760,460,580	$4,246,439,578	88.56%	23.37%	16.17%
2006	$3,746,450,925	$4,681,849,888	80.02%	-0.37%	10.25%
2007	$3,734,641,139	$4,859,619,031	76.85%	-0.32%	3.80%
2008	$3,762,277,120	$5,124,163,852	73.42%	0.74%	5.44%

(Source: www.state.nj.us/treasury/taxation/1pt/lptvalue.shtml)

The increase in assessed valuations in 2005 for Montgomery reflected above is likely due to the increase in building as reflected by the history of building permits issued as indicated in the following chart and on page 3.

2002	2003	2004
655	399	60

3. Borrowing Margin/Capacity

BORROWING MARGIN/CAPACITY - LEGAL DEBT MARGIN	
ROCKY HILL	Not Available*
MONTGOMERY	$110,714,604

(Source: CAFR, Rocky Hill, Montgomery, FY Ended 6/30/08)
*** Amount for Rocky Hill's legal borrowing margin was not included in CAFR.**

Montgomery has $72 million of outstanding bonded-debt. The capacity above is net of Montgomery's outstanding debt. The combined district would appear to have sufficient borrowing capacity.

D. TAXES

1. General Fund Tax Levy

		2008-09	2009-10
ROCKY HILL		BUDGET	BUDGET
	LOCAL FAIR SHARE	$1,331,722	$1,348,526
	MINIMUM TAX	$1,124,742	$1,232,449
	ACTUAL TAX LEVY	$1,355,823	$1,310,920
		2008-09	2009-10
MONTGOMERY		BUDGET	BUDGET
	LOCAL FAIR SHARE	$54,475,297	$56,975,246
	MINIMUM TAX	$54,475,297	$56,975,246
	ACTUAL TAX LEVY	$58,987,206	$60,629,655

(Source: School Districts' Budget Statements for 2009-2010)

1a. General Fund Tax Levy Allocation

Under A-4141, the general fund tax levy apportionment in the first year of the merger is directed in a manner determined by the Commissioner to be the least fiscally disruptive. The allocation of levy can be apportioned by equalized valuations, pupil enrollment, or some combination of apportionment based upon equalized valuations or pupil enrollments. The impact of each method is illustrated below using the districts' 2009-10 actual General Fund tax levies.

2009-10 Actual General Fund Levy

	Actual 2009-10 Levy	Levy at 100% Equalized Valuations	Levy at 50% EqVal, 50% Enrollment	Levy at 100% Enrollment
Rocky Hill	1,310,920	1,635,886	1,371,602	1,107,318
Montgomery	60,629,655	60,304,689	60,568,973	60,833,257

The combination of 38.5% equalized valuations and 61.5% enrollment will result in the same levy allocation in 2009-10. Therefore, for the first year (2009-10) I recommend that Rocky Hill raise the same amount included in the 09-10 budget of $1,310,920 and Montgomery raise $60,629,655.

A-4141 further provides that thereafter, the apportionment methodology shall be selected from those established in NJSA 18A:13-23, i.e. equalized valuations, pupil enrollments, or some combination thereof, and that if necessary the Commissioner may direct a five-year phase in of that method.

I recommend beginning in 2010-11 that the apportionment methodology continue to be 38.5% equalized valuation and 61.5% enrollment, a combination of the two methods, as permitted in NJSA 18A:13-23. A five year phase in is not necessary and therefore, not recommended.

2. Debt Service Fund Tax Levy

ROCKY HILL	2008-09 BUDGET	2009-10 BUDGET
TOTAL DEBT		
DEBT SERVICE AID		
DEBT SERVICE LEVY		
OTHER LOCAL SOURCES		
MONTGOMERY	2008-09 BUDGET	2009-10 BUDGET
TOTAL DEBT	$6,625,840	$6,529,562
DEBT SERVICE AID	$313,976	$315,141
DEBT SERVICE LEVY	$6,302,688	$6,213,929
OTHER LOCAL SOURCES	$9,176	$492

(Source: School Districts' Budget Statements for 2009-2010)

2a. Debt Service Levy Allocations

A-4141 further provides that the amount to be raised for interest upon and the redemption of bonds payable by the district for bonds issued prior to and after the effective dare of this act shall be apportioned among the constituent districts of the merged district in such manner as the Commissioner determines to be the least fiscally disruptive. I recommend that all existing debt of the Montgomery Township School District remain the responsibility of the Montgomery Township School District and all new debt approved by the merged district will be the responsibility of the constituent districts and allocated in accordance with the general fund tax levy allocation.

E. STATE AID 2009-2010

Rocky Hill	$ 94,353.
Montgomery	$5,320,850.

(Source New Jersey Department of Education 2009-2010 State School Aid, State Aid Profile)

Under A-4141, state aid will still be calculated as separate districts, based on Rocky Hill and Montgomery's pupil and wealth characteristics. The resulting aid amounts will then be combined and provided in total to the new single district for development of its combined budget.

IV. POTENTIAL COST SAVINGS

The following summarizes the cost savings that may result from the legislative requirement to eliminate the Rocky Hill district.

A. General Fund Total (2009-2010): $1,439,965.

B. Estimated Potential Cost Savings: $ **37,550.**

The following summarizes the possible cost savings that may result:

1. General Administrative Services, including the elimination of costs for:
   a. Legal
   b. Board conferences
   c. NJSBA membership
   d. Telephone
   e. Treasurer of School Monies
   f. Audit

2. Unallocated Benefits, including the elimination of costs for:
   a. Workers' Compensation Insurance
   b. Social Security contribution

3. Administrative Central Services: including the elimination of costs for:
   a. Salary for part time business administrator/board secretary

V. RECOMMENDATIONS TO THE COMMISSIONER

Pursuant to N.J.A.C. 6A:23A-2.4, the ECS recommends elimination of the Rocky Hill School District as of July 1, 2009. The Montgomery Township School District has the option to maintain the school business administrator of Rocky Hill through August 31, 2009 to assist in the transition. The 96 students of Rocky Hill will continue to be educated in the Montgomery Township School district and beginning with 09-10 will be counted as resident students in Montgomery Township School District but for the purposes of calculating State school aid, both Rocky Hill and Montgomery will continue to be considered separate school districts. Beginning in 2009-10 and thereafter, the general fund tax levy of the Montgomery Township School District will be 30.3% equalized valuations and 69.7% enrollment for Rocky Hill and Montgomery.

In accordance with A-4141, the new combined district would continue with an elected board consisting of nine (9) members elected for staggered three year terms. Within 30 days of the merger of the districts, the ECS will appoint a voting member for the 2009-10 school year from Rocky Hill to be added to the existing Montgomery Township Board of Education. In 2009-10 and thereafter, the members of the Montgomery Township Board of Education will continue in office as members of the combined district until the expiration of the respective terms for which they were elected. All seats of the nine member board will be elected by at-large vote thereafter.

In accordance with A-4141, the Montgomery Township School District will have the responsibility to liquidate all remaining assets and close the fiscal books (and conduct the final

audit) of the Rocky Hill school district. The costs of the final audit shall be payable from Rocky Hill's accounts prior to the liquidation of the assets. All remaining cash and fund balances on completion of this liquidation process shall be paid to Rocky Hill's municipal government and any indebtedness shall be the responsibility of that municipal government. All books, documents and records of Rocky Hill shall be turned over to the board of education of the merged district.