

MUNICIPAL ADVISORS

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# Pewamo-Westphalia Community Schools

May 2023 Bond Proposal Summary & Financial Frequently Asked Questions "FAQs"

12/21/2022

## Summary Of Capital Improvement Plan

				Total
Bonds issue year	2023 Bonds	2024 Bonds	2025 Bonds	Proposal
Estimated uses of funds				
Construction deposit	\$5,700,000	\$8,015,522	\$3,622,530	\$17,338,052
Underwriter's discount allowance	58,000	81,100	36,900	176,000
Bond issuance/election costs	96,106	89,463	64,957	250,526
Less estimated interest income	(54,106)	(76,085)	(34,387)	(164,578)
Totals	\$5,800,000	\$8,110,000	\$3,690,000	\$17,600,000

Bond millage rate difference			
	2023	2022	Difference
Proposed bonds	1.14		1.14
Existing bonds	6.61	7.00	(0.39)
Total	7.75	7.00	0.75
Annual difference - \$100,000 market value/			
\$50,000 taxable value property			\$37.50
			-
Monthly difference			\$3.13

## **Estimated Proposed Bond Millage Rates**

#### (Assumes Taxable Value Growth of 3.00%)



## Estimated Bond Principal Balance & Bond Millage Rate

Estimated Bonds Principal Balance						Estimated Bonds Millage Rate			
	Existing	Proposed Bonds Principal Balance			Total Existing	<b>F</b> · · ·	D 1	TT ( 1	
	Bonds		2024	2025	Total Proposed	and Proposed	Existing	Proposed	l otal
As of	Principal	2023	2024	2025	Principal	Principal	Bonds	Bonds	Bonds
June 30th	Balance	Bonds	Bonds	Bonds	Balance	Balance	Millage	Millage	Millage
2022	\$10,815,000	\$0	\$0	\$0	\$0	\$10,815,000	7.00	-	7.00
2023	9,890,000	-	-	-	-	9,890,000	6.61	1.14	7.75
2024	8,918,000	5,800,000	-	-	5,800,000	14,718,000	5.07	2.68	7.75
2025	7,875,000	5,800,000	8,110,000	-	13,910,000	21,785,000	4.87	2.88	7.75
2026	6,750,000	5,800,000	8,110,000	3,690,000	17,600,000	24,350,000	5.01	2.74	7.75
2027	5,553,000	5,800,000	8,110,000	3,690,000	17,600,000	23,153,000	4.99	2.76	7.75
2028	4,290,000	5,775,000	8,110,000	3,690,000	17,575,000	21,865,000	4.18	3.57	7.75
2029	3,510,000	5,775,000	8,085,000	3,690,000	17,550,000	21,060,000	2.27	5.48	7.75
2030	3,255,000	5,775,000	7,955,000	3,630,000	17,360,000	20,615,000	2.26	5.49	7.75
2031	2,990,000	5,775,000	7,815,000	3,570,000	17,160,000	20,150,000	2.23	5.52	7.75
2032	2,720,000	5,775,000	7,665,000	3,510,000	16,950,000	19,670,000	2.20	5.55	7.75
2033	2,445,000	5,770,000	7,510,000	3,450,000	16,730,000	19,175,000	2.15	5.47	7.62
2034	2,160,000	5,760,000	7,355,000	3,380,000	16,495,000	18,655,000	1.52	4.03	5.55
2035	1,870,000	5,745,000	7,185,000	3,300,000	16,230,000	18,100,000	1.35	3.58	4.93
2036	1,565,000	5,725,000	7,015,000	3,210,000	15,950,000	17,515,000	1.27	3.52	4.79
2037	1,260,000	5,695,000	6,830,000	3,120,000	15,645,000	16,905,000	1.22	3.42	4.64
2038	945,000	5,660,000	6,640,000	3,025,000	15,325,000	16,270,000	1.14	3.36	4.50
2039	630,000	5,605,000	6,445,000	2,930,000	14,980,000	15,610,000	1.06	3.32	4.38
2040	315,000	5,530,000	6,245,000	2,825,000	14,600,000	14,915,000	0.99	3.28	4.27
2041	-	5,440,000	6,025,000	2,720,000	14,185,000	14,185,000	-	4.13	4.13
2042	-	5,010,000	5,805,000	2,610,000	13,425,000	13,425,000	-	4.01	4.01
2043	-	4,575,000	5,560,000	2,495,000	12,630,000	12,630,000	-	3.89	3.89
2044	-	4,130,000	5,290,000	2,380,000	11,800,000	11,800,000	-	3.80	3.80
2045	-	3,685,000	4,985,000	2,255,000	10,925,000	10,925,000	-	3.66	3.66
2046	-	3,235,000	4,645,000	2,140,000	10,020,000	10,020,000	-	3.56	3.56
2047	-	2,785,000	4,265,000	2,020,000	9,070,000	9.070,000	-	3.47	3.47
2048	-	2,335,000	3,845,000	1,890,000	8,070,000	8,070,000	-	3.36	3.36
2049	-	1,885,000	3,385,000	1,760,000	7,030,000	7,030,000	-	3.26	3.26
2050	-	1,425,000	2,890,000	1,625,000	5,940,000	5,940,000	-	3.17	3.17
2051	-	950,000	2,360,000	1,490,000	4,800,000	4,800,000	-	3.07	3.07
2052	-	475.000	1,785.000	1,350.000	3,610.000	3,610.000	-	2.98	2.98
2053	-	-	1,160,000	1,205,000	2,365,000	2,365,000	-	2.90	2.90
2054	-	-	-	1,060,000	1,060,000	1,060,000	-	2.21	2.21

## Estimated Difference In Annual Tax Bill

Market	Taxable	Millage	Millage Annual			
Value	Value	Increase	Increase	Increase		
45,000	22,500	0.75	\$16.88	\$1.41		
50,000	25,000	0.75	18.75	1.56		
55,000	27,500	0.75	20.63	1.72		
60,000	30,000	0.75	22.50	1.88		
65,000	32,500	0.75	24.38	2.03		
70,000	35,000	0.75	26.25	2.19		
75,000	37,500	0.75	28.13	2.34		
80,000	40,000	0.75	30.00	2.50		
85,000	42,500	0.75	31.88	2.66		
90,000	45,000	0.75	33.75	2.81		
95,000	47,500	0.75	35.63	2.97		
100,000	50,000	0.75	37.50	3.13		
105,000	52,500	0.75	39.38	3.28		
110,000	55,000	0.75	41.25	3.44		
115,000	57,500	0.75	43.13	3.59		
120,000	60,000	0.75	45.00	3.75		
125,000	62,500	0.75	46.88	3.91		
130,000	65,000	0.75	48.75	4.06		
135,000	67,500	0.75	50.63	4.22		
140,000	70,000	0.75	52.50	4.38		
145,000	72,500	0.75	54.38	4.53		
150,000	75,000	0.75	56.25	4.69		
155,000	77,500	0.75	58.13	4.84		
160,000	80,000	0.75	60.00	5.00		
165,000	82,500	0.75	61.88	5.16		
170,000	85,000	0.75	63.75	5.31		
175,000	87,500	0.75	65.63	5.47		
180,000	90,000	0.75	67.50	5.63		
185,000	92,500	0.75	69.38	5.78		
190,000	95,000	0.75	71.25	5.94		
195,000	97,500	0.75	73.13	6.09		

Market Taxable		Millage	Annual	Monthly	
Value	Value	Increase	Increase Increase		
200,000	100,000	0.75	\$75.00	\$6.25	
205,000	102,500	0.75	76.88	6.41	
210,000	105,000	0.75	78.75	6.56	
215,000	107,500	0.75	80.63	6.72	
220,000	110,000	0.75	82.50	6.88	
225,000	112,500	0.75	84.38	7.03	
230,000	115,000	0.75	86.25	7.19	
235,000	117,500	0.75	88.13	7.34	
240,000	120,000	0.75	90.00	7.50	
245,000	122,500	0.75	91.88	7.66	
250,000	125,000	0.75	93.75	7.81	
255,000	127,500	0.75	95.63	7.97	
260,000	130,000	0.75	97.50	8.13	
265,000	132,500	0.75	99.38	8.28	
270,000	135,000	0.75	101.25	8.44	
275,000	137,500	0.75	103.13	8.59	
280,000	140,000	0.75	105.00	8.75	
285,000	142,500	0.75	106.88	8.91	
290,000	145,000	0.75	108.75	9.06	
295,000	147,500	0.75	110.63	9.22	
300,000	150,000	0.75	112.50	9.38	
305,000	152,500	0.75	114.38	9.53	
310,000	155,000	0.75	116.25	9.69	
315,000	157,500	0.75	118.13	9.84	
320,000	160,000	0.75	120.00	10.00	
325,000	162,500	0.75	121.88	10.16	
330,000	165,000	0.75	123.75	10.31	
335,000	167,500	0.75	125.63	10.47	
340,000	170,000	0.75	127.50	10.63	
345,000	172,500	0.75	129.38	10.78	
350,000	175,000	0.75	131.25	10.94	

### **Ballot Language**

#### PEWAMO-WESTPHALIA COMMUNITY SCHOOLS BOND PROPOSAL

Shall Pewamo-Westphalia Community Schools, Clinton and Ionia Counties, Michigan, borrow the sum of not to exceed Seventeen Million Six Hundred Thousand Dollars (\$17,600,000) and issue its general obligation unlimited tax bonds therefor, in one or more series, for the purpose of:

erecting, furnishing, and equipping additions to school facilities; remodeling, furnishing, and refurnishing and equipping and reequipping school buildings, including HVAC upgrades; acquiring and installing instructional technology; erecting, equipping, preparing, developing, and improving athletic fields and facilities, playgrounds, sidewalks, parking areas, and sites?

The following is for informational purposes only:

The estimated millage that will be levied for the proposed bonds in 2023, under current law, is 1.14 mills (\$1.14 on each \$1,000 of taxable valuation). The maximum number of years the bonds of any series may be outstanding, exclusive of any refunding, is thirty (30) years. The estimated simple average annual millage anticipated to be required to retire this bond debt is 3.65 mills (\$3.65 on each \$1,000 of taxable valuation).

The school district expects to borrow from the State School Bond Qualification and Loan Program to pay debt service on these bonds. The estimated total principal amount of that borrowing is \$2,167,476 and the estimated total interest to be paid thereon is \$689,258. The estimated duration of the millage levy associated with that borrowing is 11 years and the estimated computed millage rate for such levy is 7.75 mills. The estimated computed millage rate may change based on changes in certain circumstances.

The total amount of qualified bonds currently outstanding is \$9,890,000. The total amount of qualified loans currently outstanding is \$0.

(Pursuant to State law, expenditure of bond proceeds must be audited and the proceeds cannot be used for repair or maintenance costs, teacher, administrator or employee salaries, or other operating expenses.)

**Question:** In the ballot language, the first paragraph states a not to exceed figure of \$17,600,000 of general obligation unlimited tax bonds, what does this mean?

**Answer:** If this bond proposal is approved by voters, the maximum amount of bonds to be issued can be no greater than \$17,600,000.

**Question:** In the ballot language, it states that the estimated millage that will be levied in 2023 to pay the proposed bonds in the first year is 1.14 mills, what does this mean?

**Answer:** This means that the allocated bond millage for this proposal to be levied in the first year (2023) is 1.14 mills. (1.14 mills new bonds + 6.61 mills existing bonds = 7.75 total estimated 2023 millage rate)

<b>Question:</b> Is there an estimated increase in the bond millage rate in this bond proposal?		2023	2022	Difference
Answer: Yes, the bond millage rate is estimated to increase	Proposed bonds	1.14		1.14
by 0.75 mills (7.75 – 7.00). For a \$100,000 market	Existing bonds	6.61	7.00	(0.39
value/\$50,000 taxable value home, this equates to an				
estimated increase of \$37.50 per year or \$3.13 per month.	Total estimated bond millage rate	7.75	7.00	0.75

**Question:** In the ballot language it states that the maximum number of years any series of bonds may be outstanding, exclusive of refunding, is not more than 30 years, what does this mean?

**Answer:** The school district plans to issue the bonds in 3 separate series, in 2023, 2024 and 2025. Each bond series would have a length of 30 years or shorter.

**Question:** In the ballot language it states that estimated simple average annual millage that will be required to retire each bond series is 3.65 mills annually, what does this mean?

**Answer:** This means that over the entire life of the bond proposal (3 bond series) that the average annual bond millage rate is estimated to be 3.65 mills.

**Question:** In the ballot language it states that the school district does expect to borrow from the State to pay debt service on the bonds. It also says the estimated total principal amount of the borrowing is \$2,167,476 and estimated interest is \$689,258. What does this mean?

**Answer:** In order to achieve a lower targeted total bond millage rate of 7.75, the school district is utilizing a State program known as the School Loan Revolving Fund ("SLRF"). The SLRF provides loans to school districts for voted bond issues reducing the amount property taxes needed to be collected from the community in order to fund the annual bond payments during the borrowing period. This paragraph provides the estimated amount of borrowing and interest associated with this bond proposal by participating in the SLRF.

**Question:** In the ballot language it states that the estimated duration of the borrowing is 11 years and that the estimated computed millage rate for such levy is 7.75 mills. What does this mean?

**Answer:** This section means that it is estimated that the school district will participate in the School Loan Revolving Fund ("SLRF") for a 11-year duration and that the presently agreed upon participation bond millage rate is 7.75.

**Question:** In the ballot language it states that the amount of qualified bonds currently outstanding is \$9,890,000 and that the total amount of qualified loans currently outstanding is \$0. What does this mean?

**Answer:** The Michigan School Bond Qualification and Loan Program ("SBQLP") is a state program that assists school districts with voted bond issues by providing a bond rating credit enhancement which assists in reducing borrowing costs. The term "qualified" in this case means that the school district has existing bonds outstanding that are qualified by the SBQLP. At the time of the election the principal amount of qualified bonds is \$9,890,000.

Another State program known as the School Loan Revolving Fund ("SLRF") provides loans to school districts to assist with voted bonds annual payments if needed. The term "qualified loans" refers to any SLRF loan balances outstanding. The school district has not needed to borrow from this program and therefore the balance at the time of the election is \$0.

Question: When would the millage for this proposal first be levied?

Answer: On the December 1, 2023 property tax bill.

**Question:** Is the school district going to immediately issue \$17,600,000 of bonds?

**Answer:** No. The bonds are proposed to be issued in 3 series (2023, 2024, 2025). This allows for years of bond repayments to occur before a new bond issue is completed.

**Question:** Are technology purchases going to be amortized over a 30-year period? Is there a technology replacement plan?

**Answer:** No, technology purchases are required to be amortized over a 5-year period beginning at the time of installation. Yes, each bond series has an allowance for future technology purchases and updates.

**Question:** Are bus purchases going to be amortized over a 30-year period?

**Answer:** No, bus purchases are required to be amortized over a 6-year period beginning at the time the buses are put into service.

**Question:** Is the bond millage rate estimated to be the same for the entire life of the bond proposal?

**Answer:** No, the bond millage rate is estimated to remain at 7.75 mills through 2032, thereafter it is estimated to decline due to bond repayment and taxable value growth.

**Question:** What are the present 5 year and 20-year historical taxable value growth averages for the school district? What taxable value growth assumptions are being utilized to estimate the proposed bond millage rate?

**Answer:** The present 5-year historical taxable value growth rate for the school district is 4.11%. The present 20-year average taxable value growth rate is 3.71%. For years 2023 through 2027, a 3.00% taxable value growth assumption has been used. For years 2028 and beyond, a 3.00% taxable value growth assumption has been used.

**Question:** Are there property tax exemptions to anyone of any kind?

**Answer:** If a business has been granted an Industrial Facilities Tax ("IFT") credit then only half of the taxable value is subject to the bond millage. The business would need to verify if some of the taxable value has been designated for the IFT credit.

One item a community member could research is the Michigan Homestead Property Tax Credit. The Michigan Homestead Property Tax Credit is a method through which some taxpayers can receive a credit for an amount of their property tax that exceeds a certain percentage of their household income. This program establishes categories under which homeowners or renters are eligible for a Homestead Property Tax Credit. We would recommend that community members consult their tax provider to determine if they are eligible for this tax credit.

**Question:** Are businesses and second homes (non-homestead) and primary homes (homestead) treated the same regarding bond millage?

**Answer:** Yes, businesses and second homes (non-homestead) and primary homes (homestead) are treated the same regarding bond millage.

**Question:** Why are the bond issues being completed in a series as opposed to being completed immediately in one bond issue?

**Answer:** The bond issues are being completed in a series in order to implement a long-term capital plan as well as reduce total bond interest expense.

By issuing the bonds in series the school district receives capital funding over a multiple time period as opposed to one. This allows for the continual update and replacement of school district infrastructure. A multiple year technology replacement program is also included in the plan.

If the school district sold the entire bond proposal immediately it would immediately incur interest expense on \$17,600,000. By issuing the bonds in series over time the school district achieves a lower annual bond balance. The bond issues are also being completed every year. This allows 1 year of bond repayment before a new bond issue is added.