Sault Ste. Marie Area Public Schools

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

06/27/2023

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Summary Of Capital Improvement Plan

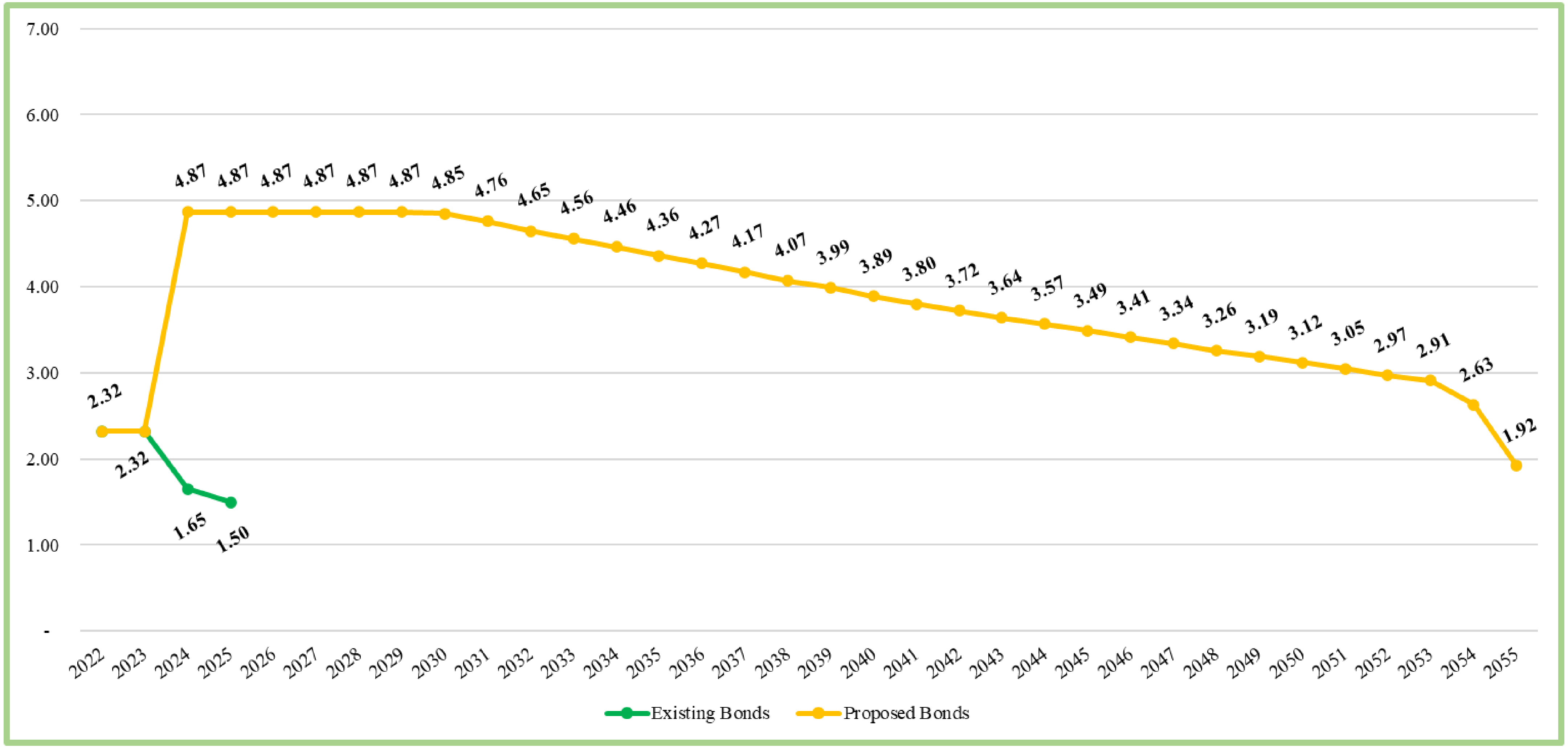
Bonds issue year	2024 Bonds	2026 Bonds	Total Proposal
Estimated uses of funds			
Construction deposit [1]	$41,550,081	$16,181,620	$57,731,701
Underwriter's discount allowance	410,000	160,000	570,000
Bond issuance/election costs	201,100	110,600	311,700
Less estimated interest income	(1,161,181)	(452,220)	(1,613,401)
Totals	$41,000,000	$16,000,000	$57,000,000

[1] Technology equipment has a five year useful life allowance from the time installed.
Buses have a six year useful life.

Bond millage rate difference	2024	2023	Difference
Proposed bonds	3.22		3.22
Existing bonds	1.65	2.32	(0.67)
Total	4.87	2.32	2.55
Annual difference - $100,000 market value/ $50,000 taxable value property			$127.50
Monthly difference			$10.63

Estimated Proposed Bond Millage Rates

(Assumes Taxable Value Growth of 2.23 – 2.77%)



Estimated Bond Principal Balance & Bond Millage Rate

	Estimated Bonds Principal Balance					Estimated Bonds Millage Rate		
	Existing Bonds Principal Balance	Proposed Bonds Principal Balance			Total Existing and Proposed Principal Balance			
As of June 30th		2024 Bonds	2026 Bonds	Total Proposed Principal Balance		Existing Bonds Millage	Proposed Bonds Millage	Total Bonds Millage
2022	$4,540,000	$0	-	$0	$4,540,000	2.32	2.32	4.64
2023	3,420,000	-	-	-	3,420,000	2.32	2.32	4.64
2024	2,290,000	41,000,000	-	41,000,000	43,290,000	1.65	4.87	6.52
2025	1,150,000	40,490,000	$0	40,490,000	41,640,000	1.50	4.87	6.37
2026	-	40,095,000	16,000,000	56,095,000	56,095,000	-	4.87	4.87
2027	-	39,265,000	16,000,000	55,265,000	55,265,000	-	4.87	4.87
2028	-	38,440,000	16,000,000	54,440,000	54,440,000	-	4.87	4.87
2029	-	37,550,000	15,945,000	53,495,000	53,495,000	-	4.87	4.87
2030	-	36,630,000	15,810,000	52,440,000	52,440,000	-	4.85	4.85
2031	-	35,685,000	15,600,000	51,285,000	51,285,000	-	4.76	4.76
2032	-	34,700,000	15,380,000	50,080,000	50,080,000	-	4.65	4.65
2033	-	33,675,000	15,155,000	48,830,000	48,830,000	-	4.56	4.56
2034	-	32,605,000	14,925,000	47,530,000	47,530,000	-	4.46	4.46
2035	-	31,490,000	14,690,000	46,180,000	46,180,000	-	4.36	4.36
2036	-	30,330,000	14,445,000	44,775,000	44,775,000	-	4.27	4.27
2037	-	29,120,000	14,190,000	43,310,000	43,310,000	-	4.17	4.17
2038	-	27,860,000	13,925,000	41,785,000	41,785,000	-	4.07	4.07
2039	-	26,545,000	13,655,000	40,200,000	40,200,000	-	3.99	3.99
2040	-	25,170,000	13,370,000	38,540,000	38,540,000	-	3.89	3.89
2041	-	23,735,000	13,080,000	36,815,000	36,815,000	-	3.80	3.80
2042	-	22,235,000	12,780,000	35,015,000	35,015,000	-	3.72	3.72
2043	-	20,660,000	12,470,000	33,130,000	33,130,000	-	3.64	3.64
2044	-	19,010,000	12,140,000	31,150,000	31,150,000	-	3.57	3.57
2045	-	17,285,000	11,790,000	29,075,000	29,075,000	-	3.49	3.49
2046	-	15,515,000	11,385,000	26,900,000	26,900,000	-	3.41	3.41
2047	-	13,715,000	10,910,000	24,625,000	24,625,000	-	3.34	3.34
2048	-	11,865,000	10,375,000	22,240,000	22,240,000	-	3.26	3.26
2049	-	9,965,000	9,775,000	19,740,000	19,740,000	-	3.19	3.19
2050	-	8,015,000	9,105,000	17,120,000	17,120,000	-	3.12	3.12
2051	-	6,015,000	8,365,000	14,380,000	14,380,000	-	3.05	3.05
2052	-	3,965,000	7,545,000	11,510,000	11,510,000	-	2.97	2.97
2053	-	1,865,000	6,645,000	8,510,000	8,510,000	-	2.91	2.91
2054	-		5,370,000	5,370,000	5,370,000	-	2.63	2.63
2055	-		2,340,000	2,340,000	2,340,000	-	1.92	1.92

Estimated Difference In Annual Tax Bill

Market Value	Taxable Value	Millage Increase	Annual Increase	Monthly Increase
45,000	22,500	2.55	$57.38	$4.78
50,000	25,000	2.55	63.75	5.31
55,000	27,500	2.55	70.13	5.84
60,000	30,000	2.55	76.50	6.38
65,000	32,500	2.55	82.88	6.91
70,000	35,000	2.55	89.25	7.44
75,000	37,500	2.55	95.63	7.97
80,000	40,000	2.55	102.00	8.50
85,000	42,500	2.55	108.38	9.03
90,000	45,000	2.55	114.75	9.56
95,000	47,500	2.55	121.13	10.09
100,000	50,000	2.55	127.50	10.63
105,000	52,500	2.55	133.88	11.16
110,000	55,000	2.55	140.25	11.69
115,000	57,500	2.55	146.63	12.22
120,000	60,000	2.55	153.00	12.75
125,000	62,500	2.55	159.38	13.28
130,000	65,000	2.55	165.75	13.81
135,000	67,500	2.55	172.13	14.34
140,000	70,000	2.55	178.50	14.88
145,000	72,500	2.55	184.88	15.41
150,000	75,000	2.55	191.25	15.94
155,000	77,500	2.55	197.63	16.47
160,000	80,000	2.55	204.00	17.00
165,000	82,500	2.55	210.38	17.53
170,000	85,000	2.55	216.75	18.06
175,000	87,500	2.55	223.13	18.59
180,000	90,000	2.55	229.50	19.13
185,000	92,500	2.55	235.88	19.66
190,000	95,000	2.55	242.25	20.19
195,000	97,500	2.55	248.63	20.72

Market Value	Taxable Value	Millage Increase	Annual Increase	Monthly Increase
200,000	100,000	2.55	$255.00	$21.25
205,000	102,500	2.55	261.38	21.78
210,000	105,000	2.55	267.75	22.31
215,000	107,500	2.55	274.13	22.84
220,000	110,000	2.55	280.50	23.38
225,000	112,500	2.55	286.88	23.91
230,000	115,000	2.55	293.25	24.44
235,000	117,500	2.55	299.63	24.97
240,000	120,000	2.55	306.00	25.50
245,000	122,500	2.55	312.38	26.03
250,000	125,000	2.55	318.75	26.56
255,000	127,500	2.55	325.13	27.09
260,000	130,000	2.55	331.50	27.63
265,000	132,500	2.55	337.88	28.16
270,000	135,000	2.55	344.25	28.69
275,000	137,500	2.55	350.63	29.22
280,000	140,000	2.55	357.00	29.75
285,000	142,500	2.55	363.38	30.28
290,000	145,000	2.55	369.75	30.81
295,000	147,500	2.55	376.13	31.34
300,000	150,000	2.55	382.50	31.88
305,000	152,500	2.55	388.88	32.41
310,000	155,000	2.55	395.25	32.94
315,000	157,500	2.55	401.63	33.47
320,000	160,000	2.55	408.00	34.00
325,000	162,500	2.55	414.38	34.53
330,000	165,000	2.55	420.75	35.06
335,000	167,500	2.55	427.13	35.59
340,000	170,000	2.55	433.50	36.13
345,000	172,500	2.55	439.88	36.66
350,000	175,000	2.55	446.25	37.19

Note: The above information is for estimation purposes only. Please consult a tax professional when evaluating individual circumstances.

Ballot Language

SAULT STE. MARIE AREA PUBLIC SCHOOLS
BOND PROPOSAL

Shall Sault Ste. Marie Area Public Schools, Chippewa County, Michigan, borrow the sum of not to exceed Fifty-Seven Million Dollars ($57,000,000) and issue its general obligation unlimited tax bonds therefor, in one or more series, for the purpose of:

> erecting, furnishing, and equipping a new elementary school building; erecting additions to, and remodeling, furnishing and refurnishing, and equipping and re-equipping the Sault Area High School and Career Center building; acquiring and installing instructional technology and instructional technology equipment for the school buildings; and preparing, developing, improving, and equipping playgrounds, a play field/area, and sites?

The following is for informational purposes only:

The estimated millage that will be levied for the proposed bonds in 2024, under current law, is 3.22 mills ($3.22 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 3.83 mills ($3.83 on each $1,000 of taxable valuation).

The school district does not expect to borrow from the State to pay debt service on the bonds. The total amount of qualified bonds currently outstanding is $3,420,000. The total amount of qualified loans currently outstanding is $0. The estimated computed millage rate may change based on changes in certain circumstances.

(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.)

Ballot Language FAQs

Question: In the ballot language, the first paragraph states a not to exceed figure of $57,000,000 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 $57,000,000.

Question: In the ballot language, it states that the estimated millage that will be levied in 2024 to pay the proposed bonds in the first year is 3.22 mills, what does this mean?

Answer: This means that the allocated bond millage for this proposal to be levied in the first year (2024) is 3.22 mills. (3.22 mills new bonds + 1.65 mills existing bonds = 4.87 total estimated 2024 millage rate)

Question: Is there an estimated increase in the bond millage rate in this bond proposal?

Answer: Yes, the bond millage rate is estimated to increase by 2.55 mills (4.87 – 2.32). For a $100,000 market value/$50,000 taxable value home, this equates to an estimated increase of $127.50 per year or $10.63 per month.

	2024	2023	Difference
Proposed bonds	3.22		3.22
Existing bonds	1.65	2.32	(0.67)
Total estimated bond millage rate	4.87	2.32	2.55

Ballot Language FAQs

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 2 separate series, in 2024 and 2026. 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 3.83 mills annually, what does this mean?

Answer: This means that over the entire life of the bond proposal (2 bond series) that the average annual bond millage rate is estimated to be 3.83 mills.

Question: In the ballot language it states that the school district does not expect to borrow from the State to pay debt service on the bonds. What does this mean?

Answer: There is a State program known as the School Loan Revolving Fund ("SLRF") that assists school districts with completing voted bond issues by allowing schools to receive loans from the SLRF for bond payments. The school district does not anticipate borrowing from the SLRF for this proposal.

Ballot Language FAQs

Question: In the ballot language it states that the amount of qualified bonds currently outstanding is $3,420,000 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 $3,420,000. 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.

Other Financial FAQs

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

Answer: On the July 1, 2024 property tax bill.

Question: Is the school district going to immediately issue $57,000,000 of bonds?

Answer: No. The bonds are proposed to be issued in 2 series (2024, 2026). 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.

Other Financial FAQs

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 4.87 mills through 2029, 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 2.77%. The present 20-year average taxable value growth rate is 2.23%. For years 2024 through 2028, a 2.77% taxable value growth assumption has been used. For years 2029 and beyond, a 2.23% taxable value growth assumption has been used.

Other Financial FAQs

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.

Other Financial FAQs

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 $57,000,000. 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 2 years. This allows 2 years of bond repayment before a new bond issue is added.