



# Port Huron Area School District

## School Capital Financing Options



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# Capital Financing Options

## Available Options:

### ❖ General Fund

- Projects are financed with general fund balances

### ❖ Non-Voted Bonds

- Projects are financed with bond proceeds
- Bond debt service is paid from general fund revenues

### ❖ Sinking Fund

- Projects are usually financed with funds generated from a sinking fund levy

### ❖ Voted Bonds

- Projects are financed with bond proceeds
- Bond debt service is paid from a debt levy



# Sinking Funds

## What is a Building and Site Sinking Fund?

- Voter approved
- May levy up to 5 mills for a maximum of 20 years
- Projects are typically financed on a “pay as you go” basis
- Interest is not generally paid for money used

## Sinking Fund Uses:

- Purchase of real estate for school building sites
- Construction of school buildings
- Remodeling of school buildings
- Repair of school buildings
- Funds **CANNOT** be used to purchase buses or technology

# Non-Voted Bond Issues

## General:

- No voter approval
- District pledges its limited tax general funds toward payment of the Bonds
- Limited tax bonds may only be issued if total debt (including voted unlimited tax debt), does not exceed 5% of the value of the District (some exceptions apply)
- District may not transfer more than 20% of its annual state aid payments to its capital projects fund or its debt retirement fund
- May not participate in School Loan Revolving Fund

## Common Non-Voted Bonds:

- Energy Conservation Bonds
  - Issued for purpose of financing energy conservation projects
  - Projects typically produce annual savings sufficient to meet annual debt payments

# Voted School Bond Issues

## ➤ Voter Approval Required

- Voters authorize a specific dollar amount of bonds for improvements identified in the ballot proposal

## ➤ Unlimited Debt Millage

- District levies the number of mills on taxable property necessary to pay the annual principal and interest payments.
- Debt service is paid by the debt levy, not the General Fund.

## ➤ Items Required on Ballot

- Maximum amount of bonds
- Bond purpose
- First year's estimated millage rate
- Simple average annual millage rate
- Maximum term of the bonds
- Additional requirements for State qualified bonds



# Voted School Bond Issues, Continued

## State Qualified:

- Eligible to participate in the School Loan Revolving Fund (“SLRF”) Program \*
- Qualified through Treasury approval process
- Bonds utilize credit rating of the State (Aa1 / AA-)

## Not State Qualified:

- Not qualified with the State Treasury
- May not participate in SLRF program
- Total non-qualified debt is limited to 15% of District’s SEV

\*Until cap is reached (reached on May 1, 2015 – sunset date of June 30, 2016)



# Voted Bonds and Sinking Fund Differences

## *General*

Sinking Funds	Bonds
General wording can be used to describe intended projects	"Qualified" voted bonds must have expected projects written out in detail
Millage can be levied up to 20 years, with voter authorization	Bonds can be issued for up to 30 years*
Projects typically funded on a pay as you go basis	Allows projects to be funded up front
Interest is generally not paid on funds used	Funds are paid with interest**
Expenditures are not subject to prevailing wage requirements (unless state funds are used)	"Qualified" voted bonds are subject to regionalized prevailing wage requirements
Typically used for major repairs and renovations versus large capital projects	Typically used for new construction and other large capital projects

\* In some cases, millage rates on "Qualified" bonds may be up to 36 years.

\*\*A district can invest funds until used, but any interest earned greater than the interest paid on the bonds must typically (not always) be returned or rebated to the federal government.

# Voted Bonds and Sinking Fund Differences

## Uses

Sinking Funds	Bonds
Can <b>NOT</b> be used for buses, furniture, lockers, equipment	Can be used for buses, furniture, lockers, equipment
Can only be used for wiring and technology infrastructure, not computers or bundled software	Can be used for technology, new computers, bundled software if part of a new computer package
Can be used for playgrounds, but <b>NOT</b> for individual equipment	Can be used for both playgrounds and equipment
If misuse of funds is determined, the district must repay from general funds and may not levy another sinking fund - <b>EVER</b>	If misuse of funds is determined on a non-allowable cost, the district would be required to repay from the general fund.



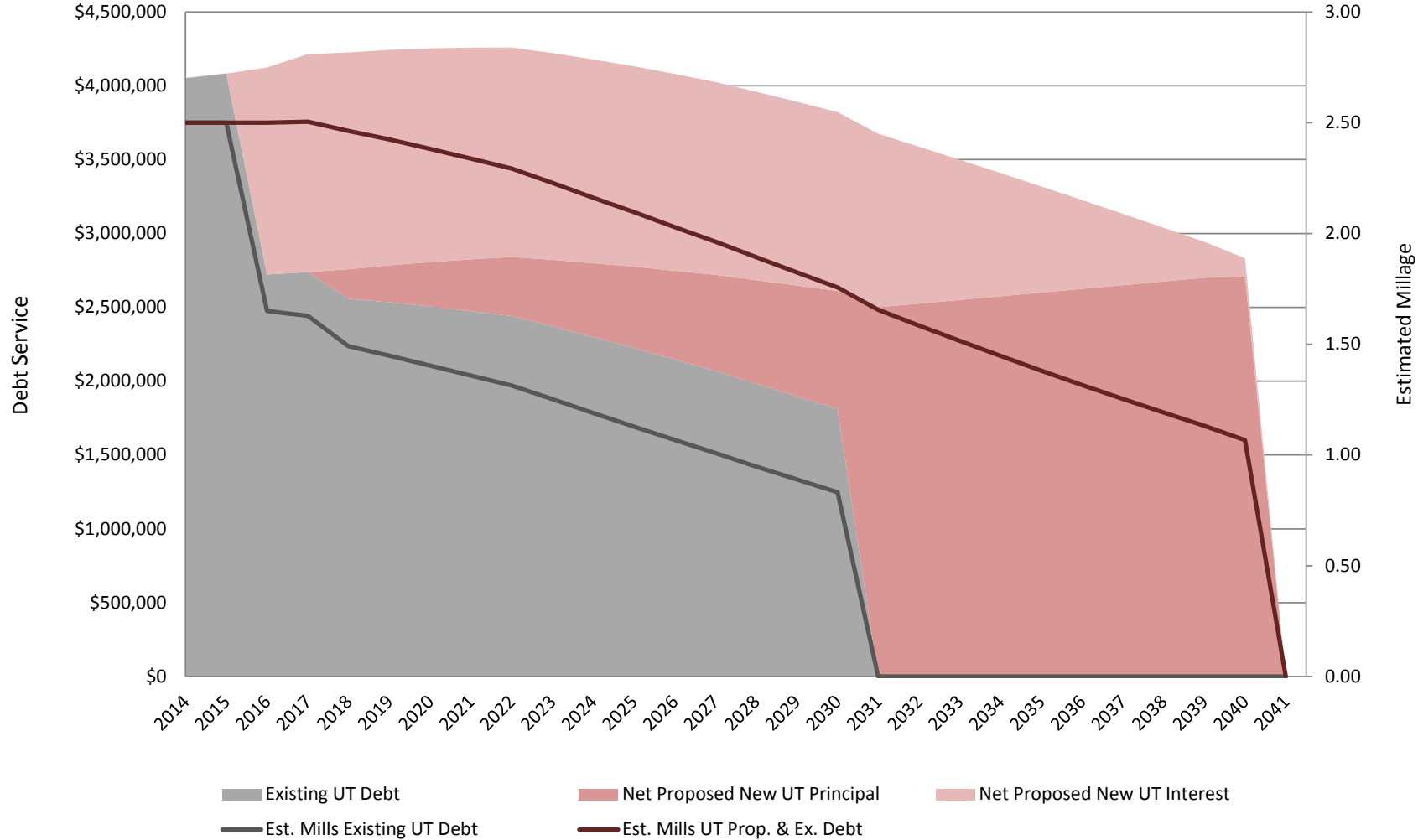
# Voted Bond Summary of Options Presented

Bonds Issued	Bond Amount	Bond Term	Estimated Interest Rate	Estimated Interest Cost	Ballot Info		Total Debt Millage Required	Est. Debt Millage Increase
					1st Year Levy	Avg. Mills		
6/25/16	\$100,000,000	29.85 yrs	4.75%	\$102,679,563	2.75	3.04	4.44	1.94
6/25/16	\$66,670,000	29.85 yrs	4.75%	\$65,335,039	1.83	2.00	3.50	1.00
6/25/16	\$32,610,000	24.85 yrs	4.50%	\$26,998,133	0.85	1.11	2.50	0.00
6/25/16	\$50,000,000	29.85 yrs	4.75%	\$53,699,938				
5/1/18	\$50,000,000	30.00 yrs	5.25%	\$61,683,563				
	<u>\$100,000,000</u>			<u>\$115,383,500</u>	1.38	2.93	3.94	1.44
6/25/16	\$41,060,000	29.85 yrs	4.75%	\$43,019,135				
5/1/18	\$41,060,000	30.00 yrs	5.25%	\$48,664,875				
	<u>\$82,120,000</u>			<u>\$91,684,010</u>	1.13	2.39	3.50	1.00
6/25/16	\$21,895,000	24.85 yrs	4.50%	\$19,652,209				
5/1/18	\$21,895,000	25.00 yrs	5.00%	\$21,843,750				
	<u>\$43,790,000</u>			<u>\$41,495,959</u>	0.57	1.42	2.50	0.00
6/25/16	\$14,080,000	24.85 yrs	4.50%	\$12,579,210				
5/1/18	\$14,080,000	25.00 yrs	5.00%	\$14,408,750				
	<u>\$28,160,000</u>			<u>\$26,987,960</u>	0.37	0.92	2.50	0.00

Note: based on estimated taxable value growth rates as required by the State. Figures will vary based on actual taxable value growth rates.

# Graph on Projected Millage

**Port Huron Area School District  
(Schedule B-3)**



# Estimated Impact on Individual Taxpayers

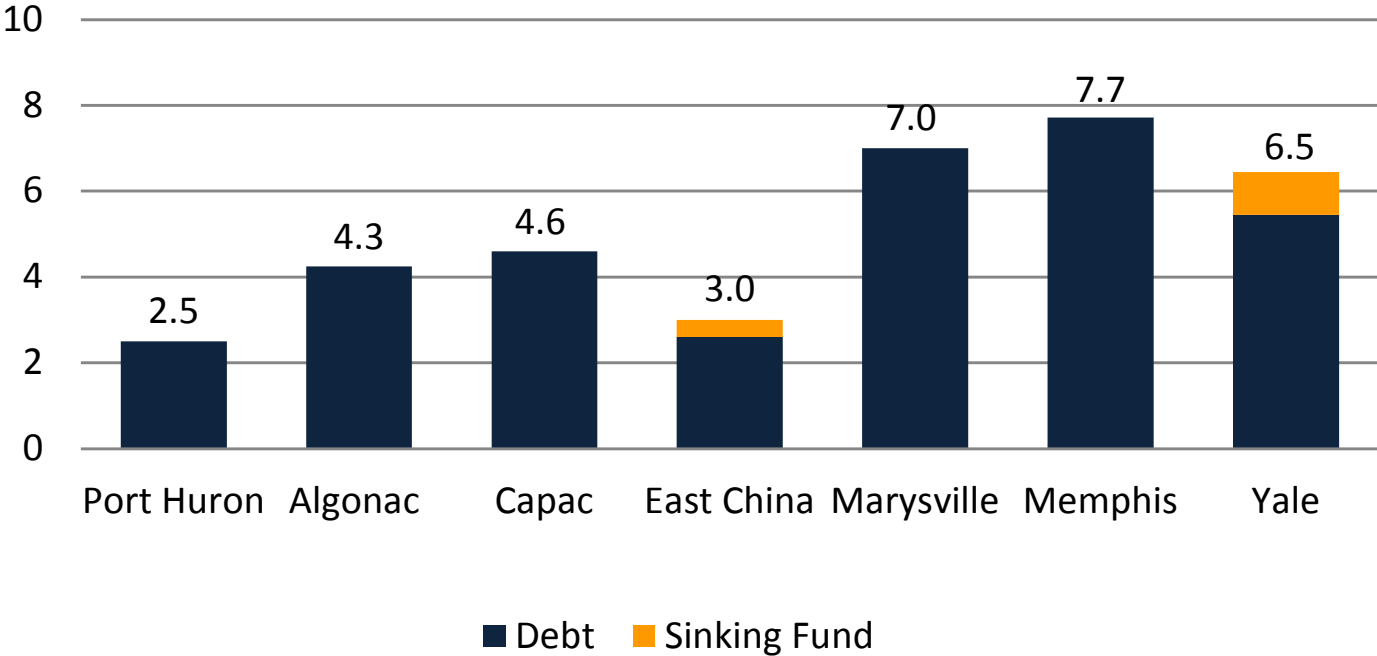
Table No.	Est. Debt Millage Increase	Taxable Value of Home							
		\$25,000	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000	\$250,000	\$500,000
B1	1.94	\$48.50	\$97.00	\$145.50	\$194.00	\$291.00	\$388.00	\$485.00	\$970.00
B2	1.00	\$25.00	\$50.00	\$75.00	\$100.00	\$150.00	\$200.00	\$250.00	\$500.00
B3	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
B5	1.44	\$36.00	\$72.00	\$108.00	\$144.00	\$216.00	\$288.00	\$360.00	\$720.00

NOTE: The above figures denote the ESTIMATED amount the individual taxpayer's tax bill will increase. If a taxpayer qualifies for the State Homestead Property Tax Credit or itemizes deductions on their federal income tax return, the "Net Tax Impact" will be less than shown above.



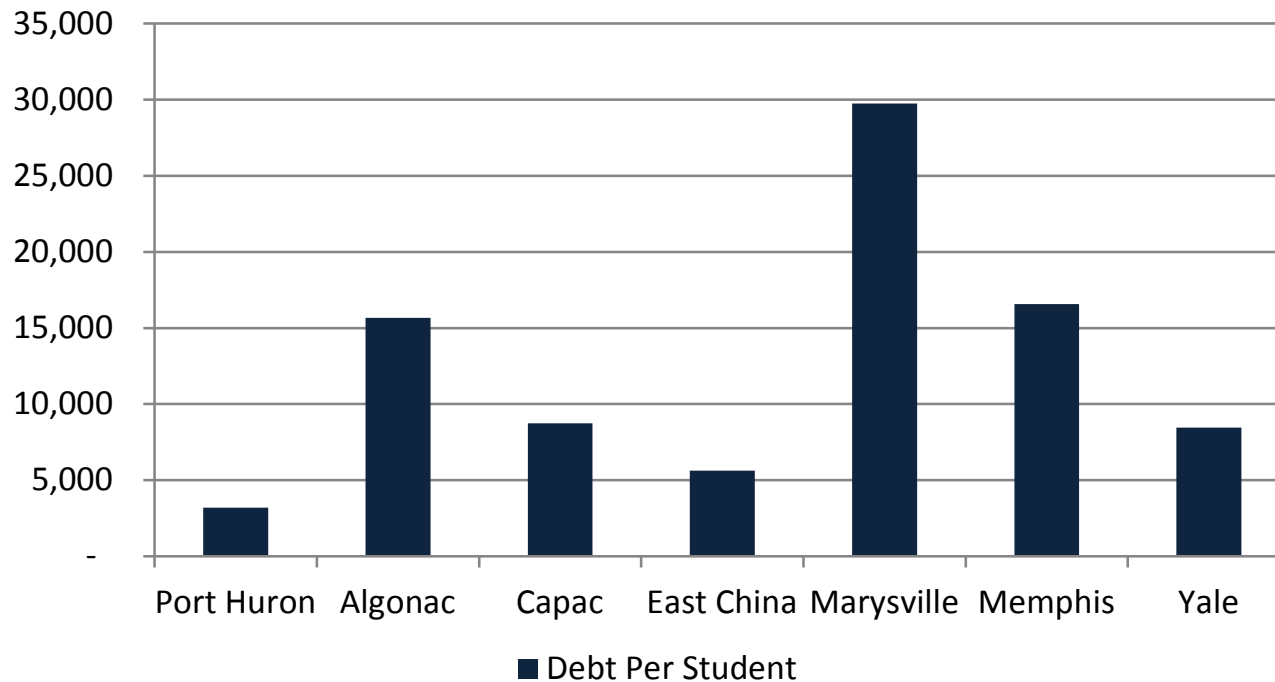
# Millage Comparison

## Debt and Sinking Fund Mills Levied



# Debt per Equivalent Student Comparison

## Debt Per Student by School District



# What is Right for Port Huron ASD?

## Factors to consider:

- Needs
- Cost
- Timing
- Economics
- Politics



# Questions?

**If you have any questions or need additional information,  
please contact us:**

## **Public Financial Management**

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