

Cedar Springs Public Schools
November 5, 2019 Bond Proposal
Frequently Asked Questions & Answers
Election Date: Tuesday, November 5, 2019

The Frequently Asked Questions & Answers are broken into five sections: Proposed Bond Project Scope Information, Financial Information, Voting Information, Input and Feedback Information, and Additional Information.

PROPOSED BOND PROJECT SCOPE INFORMATION

What is a bond proposal and how can funds from a bond be spent?

A bond proposal is how a public school district asks its community for authorization to borrow money to pay for capital expenditures. Voter-approved bond funds can be spent on new construction, additions, remodeling, site improvements, athletic facilities, playgrounds, furnishings, equipment, and technology. Funds raised through the sale of bonds cannot be used on operational expenses such as employee salaries and benefits, school supplies, and textbooks. Bond funds must be kept separate from operating funds and must be audited by an independent auditing firm.

Who was involved in determining what to include in the bond proposal?

Initially the bond planning started a District-wide facility assessment of buildings and sites. The facilities assessment identified specific systems that have exceeded their expected lifecycle(s) – lighting, roofing, HVAC, etc. If the bond proposal is approved, it would include selective replacement of these systems.

The bond proposal was also informed by the community-driven strategic planning process, which took place from January-July 2019. Five focus groups comprised of 25-30 people of different backgrounds were utilized to gather community input. The feedback from the focus group conversations was used to generate questions for a comprehensive survey that was sent out in February. Each student in grades 6-12, all parents of students grades PK-12, and all District staff received a survey. Community and business leaders and residents of Cedar Springs were able to submit a survey electronically through a link on the District website.

In addition to the input gathered from the strategic planning process, public forums and staff interviews also helped review and prioritize the scope of the bond proposal. The final determination of scope was made by District administration and the Board of Education.

Would the approval of the bond proposal have any impact on our current operational budget?

While funding from this bond proposal is independent of the support the District receives from the State of Michigan for annual operations on a per pupil basis, the bond would likely have a positive impact on the annual operating budget. It would allow the District to reallocate operating funds that are currently being spent on aging facilities, mechanical systems and technology. The savings generated from new and cost-efficient facilities could be redirected to student programs and resources.

Where would the students go to school during the proposed construction phases?

We are working carefully to lay out a plan for our students during the construction. We plan to address schedules and coordinate instructional spaces to minimize disruption.

FINANCIAL INFORMATION

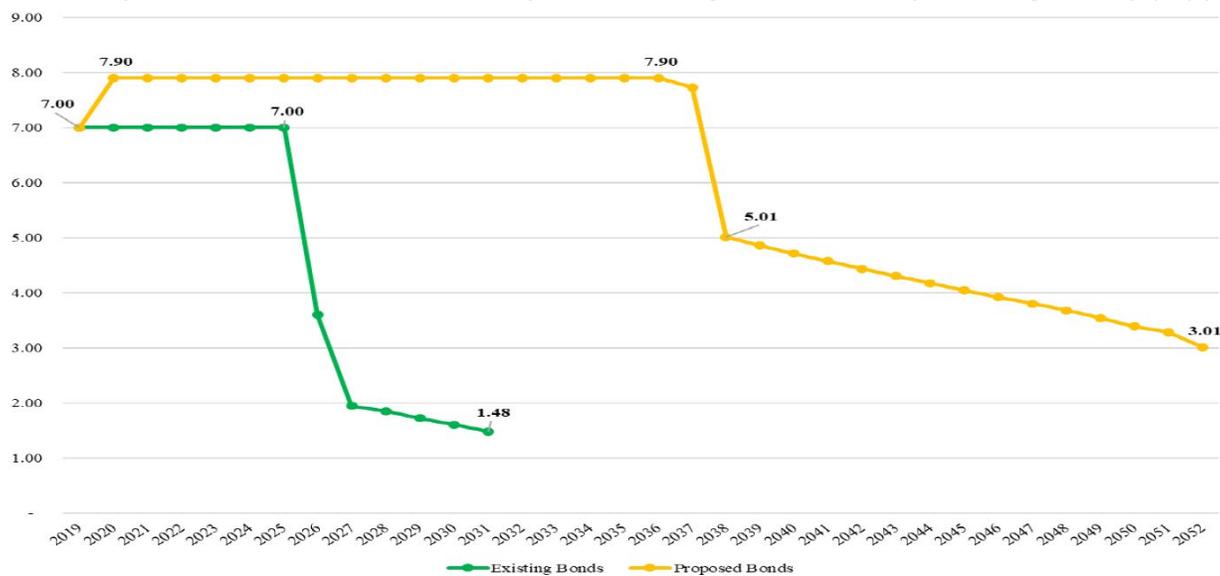
How would the bond proposal impact my homeowner property taxes?

If approved by voters, it is projected that the debt tax rate would increase by approximately 0.90 mills over the current debt tax rate. For a \$100,000 market value home this equates to an estimated increase of \$45.00 per year or \$3.75 per month.

MARKET VALUE	TAXABLE VALUE	COST/YEAR	COST/MONTH
\$100,000	\$50,000	\$45.00	\$3.75
\$200,000	\$100,000	\$90.00	\$7.50
\$300,000	\$150,000	\$135.00	\$11.25
\$400,000	\$200,000	\$225.00	\$15.00

When would the new bond proposal be paid off?

If the bond proposal is approved by voters on November 5, 2019, the final levy for this proposal is 2053. The maximum number of years the bonds in each series may be outstanding, exclusive of any refunding, is thirty (30) years.



\$81,150,000 is a lot of money. Why does it cost so much to renovate the buildings?

Commercial building costs have greatly increased over the years due to rising material and labor costs. According to RS Means (Reed Construction Data), the Historical Cost Index for Commercial Construction in Grand Rapids, Michigan has increased as the following:

- 2003-2018 (15yrs) – increase of 173.9%
- 1998-2018 (20yrs) – increase of 193.4%
- 1988-2018 (30yrs) – increase of 254.4%

National averages are similar to these figures.

Would money from the bond proposal be used to pay teachers’ salaries and benefits?

No. School districts are not allowed to use funds from a bond for operating expenses such as teacher, administrator or employee salaries, routine maintenance, or operating costs. Bond revenue must be kept separate from operating funds and bond revenue expenditures must be audited by an independent auditing firm.

How would I know the bond funds would be spent the way they are supposed to be spent?

Michigan law requires that 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. An audit would be completed at the end of the project to ensure compliance.

Remember to Vote: Tuesday, November 5, 2019

For more information: www.csredhawks.org

In the ballot language, the first paragraph states a not to exceed figure of \$81,150,000 of general obligation unlimited tax bonds, what does this mean?

With approval of this bond proposal, the maximum amount of bonds to be issued can be no greater than \$81,150,000.

In the ballot language, it states that the estimated millage to be levied in the first year for this proposal to pay the proposed bonds is 1.88 mills, what does this mean?

This means that the estimated bond millage rate to be levied in the first year for this proposal is 1.88 mills. (1.88 mills new bonds + 6.02 mills existing bonds = 7.90 total estimated millage rate)

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?

Each bond series in the proposal must have a length of 30 years or shorter.

In the ballot language it states that estimated simple average annual millage that will be required to retire each bond series is 4.95 mills annually, what does this mean?

This means that over the entire life of the bond proposal (all bond series) that the simple average annual bond millage rate is estimated to be 4.95 mills.

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 \$1,821,234 and estimated interest is \$7,272,276. What does this mean?

In order to achieve a lower targeted total bond millage rate of 7.90 mills, 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 of 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.

In the ballot it states that the estimated duration of the borrowing is 18 years and that the estimated computed millage rate for such levy is 7.90 mills. What does this mean?

This section means that it is estimated that the School District will participate in the SLRF for an 18-year duration and that the presently agreed upon participation bond millage rate is 7.90 mills.

In the ballot language it states that the amount of qualified bonds currently outstanding is \$30,905,000 and that the total amount of qualified loans currently outstanding is \$5,923,919. What does this mean?

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 \$30,905,000.

In order to achieve a lower targeted total bond millage rate of 7.90 mills, the School District has utilized 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. In this case the term "qualified loans" is referring to the School District's present estimated principal and interest SLRF balance of \$5,923,919.

When will the millage for this proposal first be levied?

On the July 1, 2020 property tax bill.

Is the School District going to immediately issue \$81,150,000 of bonds?

No. The bonds are proposed to be issued in 2 series (2021, 2023). This allows for years of bond repayments to occur before a new bond issue is completed.

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

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

Is the bond millage rate expected to be the same for the next 30 years?

No. The bond millage rate is estimated to remain at 7.90 mills through 2036, thereafter it is estimated to decline due to bond repayment and taxable value growth.

Are there property tax exemptions to anyone of any kind?

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.

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

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

VOTING INFORMATION

Where can I find more information about this bond proposal?

- Visit the District website at www.csredhawks.org
- Like us on Facebook at www.facebook.com/CSRedHawks
- Follow us on Twitter at www.twitter.com/cedar_athletics
- Attend a Public Information Forum
 - Times, dates and locations will be posted on the District website

Where and when will the vote occur?

Registered voters may cast a ballot at the polling location established by their city/township. If you have questions or do not know where you vote, please contact your city/township office. The election will be held on Tuesday, November 5, 2019. Polls will be open from 7:00 a.m. to 8:00 p.m.

How is an absent voter ballot obtained?

Absent voter ballots are available to any registered voter. Registered voters must complete and submit an application for an absent voter ballot. Your request for an absent voter ballot must be in writing and can be submitted to your city or township clerk. (For assistance in obtaining the address of your local clerk, see Michigan.gov/Vote) You must request an absent voter ballot by mailing the application, a letter, a postcard, or a pre-printed application form obtained from your local clerk's office. Requests to have an absent voter ballot mailed to you must be received by your clerk no later than 5 p.m. the Friday before the election.

Applications are available from your local clerk's office. You also may obtain an application online at www.mi.gov/sos. Click "Elections in Michigan" on the top menu, and then click on "Information for Voters" then click on "Obtaining an Absent Voter Ballot." Absent voter ballots are available by September 21 through November 4, 2019.

If I rent a house, can I vote? How would my taxes increase if I rent a house?

Yes, if you rent a house you can still vote. As a renter, unless you are responsible for paying the property taxes, your taxes would not increase. You do need to be a registered voter in the city or township you are living in.

What are the key dates leading up to the Tuesday, November 5, 2019 vote?

- Absentee Voting:
 - Contact your city/township; absentee voter ballots are available from September 21 until November 4, 2019
- Vote Date:
 - Tuesday, November 5, 2019
 - Polls will be open from 7:00 a.m. to 8:00 p.m.

INPUT AND FEEDBACK INFORMATION

Will I be able to provide input regarding the design of the buildings?

Yes. If the bond proposal is approved, the community will have the opportunity to participate in the final planning, design, and implementation of the school buildings. A committee for each building would be created for stakeholders to participate and provide input and feedback.

What oversights would hold the District accountable?

If approved by voters, the District’s Architect/Engineer would design the proposed projects and prepare construction documents and specifications for the projects. Once the projects are designed, the District’s Construction Manager will assemble bid packages and publicly advertise and solicit competitive bids for all work. This is required by law, as outlined in the Revised School Code. This process ensures that the District selects the lowest responsive and responsible bidder. All qualified contractors will have an opportunity to attend a pre-bid meeting to obtain additional information and project clarification. All qualified contractors will have the opportunity to participate in the competitive bid process.

How would I know the bond funds would be spent the way they are supposed to be spent?

Michigan law requires that 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. An audit would be completed at the end of the project to ensure compliance.

At what point would the State of Michigan, as well as the local fire and police departments, provide input into the bond projects?

Each project will be required to be submitted to both the Bureau of Construction Codes (BCC) and the Bureau of Fire Services (BFS) for both plan review and permitting. These agencies will review the projects to ensure they comply-with applicable codes, before any building permits are-issued. Building plans and specifications must be signed and sealed by a Licensed Architect/Professional Engineer before submission.

As of March 21, 2019, Michigan law requires school districts to consult on the plans for the construction or major renovation regarding school safety issues with the law enforcement agency that is the first responder for that school building. This consultation would happen after a bond proposal has been approved by voters, before construction documents are finalized prior to project commencement.

What about the previously approved Sinking Fund? How does that impact the District?

In February 2012 voters approved a Sinking Fund that provides approximately \$600,000 per year for ten years for ongoing repair of school infrastructure and sites, and technology upgrades.

Sinking funds can be used for remodeling or repairing facilities, improving sites, structures, athletic facilities, playgrounds, or other facilities and technology infrastructure. School districts are not allowed to use funds from a Sinking Fund for operating expenses such as teacher, administrator or employee salaries.

The Sinking Fund ensures that operational funding remains in the classrooms for learning, teaching, books, and technology, provide students with basic necessity of warm, safe and dry learning environments, create efficiencies and long-term financial savings. The Sinking Fund is the means by which the District can protect the community's investment used by our students, staff, parents and community.

Projects completed with Sinking Fund dollars since 2012:

- Football field athletic turf
- Track resurfacing and striping
- Playground equipment
- Pavement work throughout roadways and parking lots
- Resurfacing of parking lots at Beach, Middle School
- LED light fixtures in the gymnasiums
- Roof work at Cedar View, Beach, Cedar Trails, High School, District Service Center
- Additional lockers at High School
- HVAC replacement - new condensing boilers at Cedar View
- Carpeting replacements
- Secure building entrance improvements at High School, Cedar Trails, Red Hawk
- Door buzzer systems at Cedar View, Beach
- Install gym floors at Cedar View, Beach
- New parking lots at Cedar Trails, Cedar View
- PA systems all schools*
- Exterior doors at Beach and Cedar View*
- Blue Point Alert System*
- Access controls on exterior doors*

**a combination of Sinking Fund dollars and Michigan State Police grant dollars*

ADDITIONAL INFORMATION

What is the ballot language?

CEDAR SPRINGS PUBLIC SCHOOLS
COUNTIES OF KENT AND NEWAYGO
STATE OF MICHIGAN
BOND PROPOSAL

Shall Cedar Springs Public Schools, Counties of Kent and Newaygo, State of Michigan, borrow the sum of not to exceed Eighty-One Million One Hundred Fifty Thousand Dollars (\$81,150,000) and issue its general obligation unlimited tax bonds, in one or more series, for the purpose of paying the costs of the following projects:

- Acquiring and constructing a school building and additions to school buildings and other facilities;
- Remodeling, furnishing, refurbishing, equipping and reequipping school buildings and other facilities, including for security purposes;
- Constructing, equipping and reequipping, developing and improving play fields, playgrounds, athletic fields and athletic facilities;
- Acquiring, improving and developing sites at school buildings and other facilities; and
- Acquiring and installing technology infrastructure and equipment in school buildings and other facilities?

YES

NO

The estimated millage that will be levied to pay the proposed bonds in the first year of levy is 1.88 mills (\$1.88 per \$1,000 of taxable value); and the estimated simple average annual millage rate required to retire the bonds of this issue is 4.95 mills (\$4.95 per \$1,000 of taxable value). The maximum number of years the bonds of any series may be outstanding, exclusive of any refunding, is thirty (30) years from the date of issue of such series.

If approved by the voters, the bonds are expected to be qualified for participation in the Michigan School Bond Qualification and Loan Program (the "Program"), which will make a loan to the School District to pay debt service on these bonds if for any reason the School District does not have sufficient funds available for that purpose. The School District currently has \$30,905,000 of qualified bonds outstanding and \$5,923,919 of qualified loans outstanding under the Program. The School District expects to borrow from the Program to pay debt service on these bonds. The estimated total principal amount of additional borrowing is \$1,821,234 and the estimated total interest thereon is \$7,272,276. The estimated duration of the millage levy associated with that borrowing is 18 years and the estimated computed millage rate for such levy is 7.90. The estimated computed millage rate may change based on changes in circumstances.

(Under State law, expenditure of bond proceeds must be audited, and bond proceeds may not be used to pay teacher or administrator salaries, routine maintenance or repair costs or other School District operating expenses.)

QUESTIONS

If you have additional questions, please contact Scott B. Smith, Superintendent, at Scott.Smith@csredhawks.org or 616-696-1204