Lowell Area Schools

May 2024 Bond Proposal Summary &
Financial Frequently Asked Questions "FAQs"

2/7/2024

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Summary Of Capital Improvement Plan

Bonds issue year	2024 Bonds	2028 Bonds	2030 Bonds	Total Proposal
Estimated uses of funds				
Construction deposit [1]	$32,741,778	$33,567,456	$37,758,211	$104,067,445
Underwriter's discount allowance	327,850	335,900	377,750	1,041,500
Bond issuance/election costs	179,365	162,339	174,122	515,826
Less estimated interest income	(463,993)	(475,695)	(535,083)	(1,474,771)
Totals	$32,785,000	$33,590,000	$37,775,000	$104,150,000

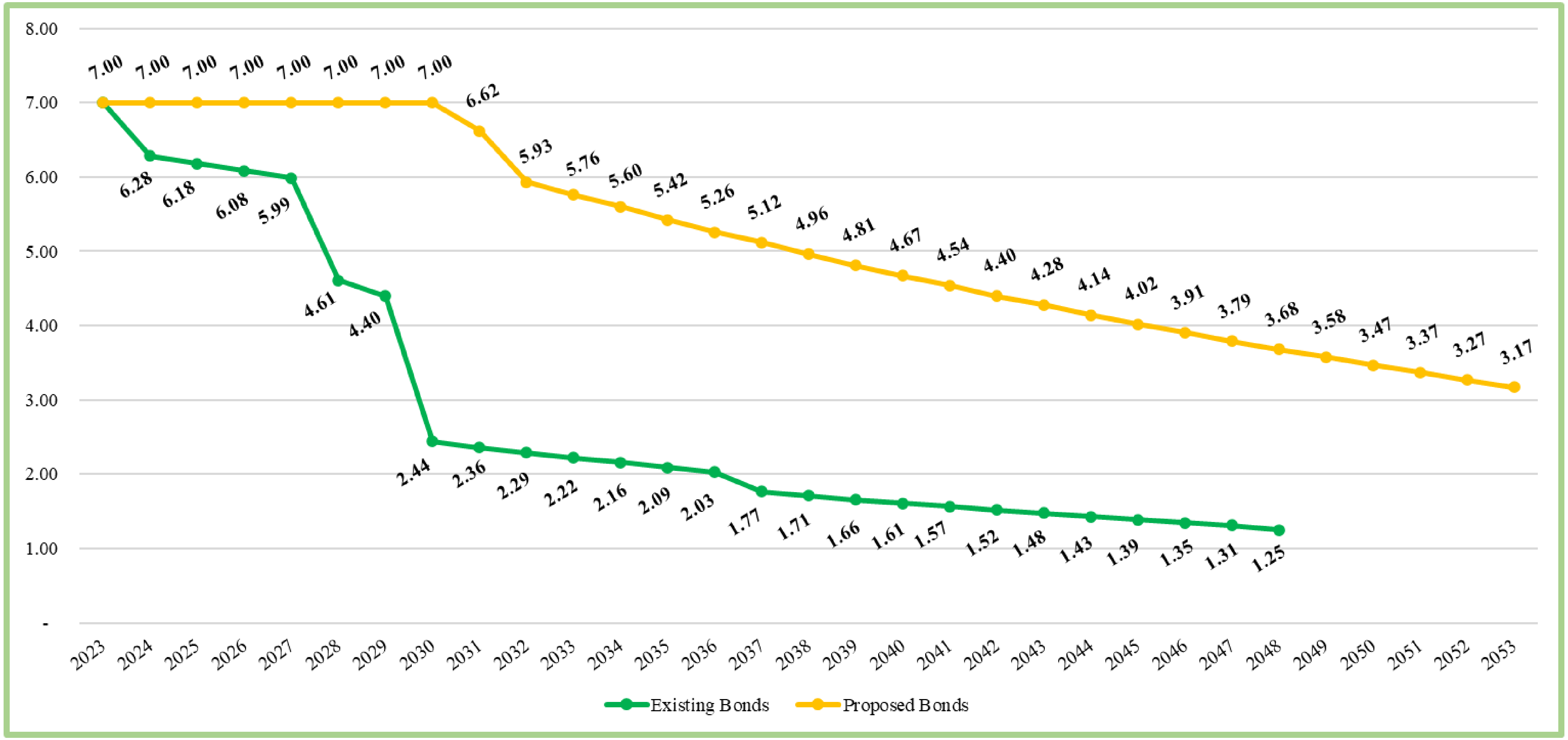
[1] Technology equipment has a five year useful life allowance from the time installed.
Buses have a six year useful life.

Overall debt millage rate difference

	2024	2023	Difference
Proposed bonds allocated millage	1.11		1.11
Existing bonds allocated millage	5.89	7.00	(1.11)
Total	7.00	7.00	0.00
Annual difference - $100,000 market value/ $50,000 taxable value property			$0.00
Monthly difference			$0.00

Estimated Overall Debt Millage Rates

(Assumes Taxable Value Growth of 3.00% - 4.50%)



Estimated Bond Principal Balance & Debt Millage Rate

Estimated Bonds Principal Balance							Estimated Debt Millage Rate		
		Proposed Bonds Principal Balance							
As of June 30th	Existing Bonds Principal Balance	2024 Bonds	2028 Bonds	2030 Bonds	Total Proposed Principal Balance	Total Existing and Proposed Principal Balance	Existing Bonds Millage	Proposed Bonds Millage	Total Debt Millage
2023	$78,795,000	$0	$0	$0	$0	$78,795,000	7.00	-	7.00
2024	74,170,000	32,785,000	-	-	32,785,000	106,955,000	5.89	1.11	7.00
2025	69,225,000	32,785,000	-	-	32,785,000	102,010,000	5.73	1.27	7.00
2026	63,940,000	32,785,000	-	-	32,785,000	96,725,000	5.79	1.21	7.00
2027	58,335,000	32,785,000	-	-	32,785,000	91,120,000	5.84	1.16	7.00
2028	52,380,000	32,785,000	33,590,000	-	66,375,000	118,755,000	4.28	2.72	7.00
2029	47,935,000	31,785,000	33,590,000	-	65,375,000	113,310,000	4.87	2.13	7.00
2030	43,490,000	31,785,000	33,590,000	37,775,000	103,150,000	146,640,000	3.14	3.86	7.00
2031	41,780,000	31,710,000	33,110,000	37,070,000	101,890,000	143,670,000	2.87	3.75	6.62
2032	40,005,000	31,630,000	32,615,000	36,640,000	100,885,000	140,890,000	2.29	3.64	5.93
2033	38,145,000	31,550,000	32,105,000	36,190,000	99,845,000	137,990,000	2.22	3.54	5.76
2034	36,215,000	31,450,000	31,575,000	35,725,000	98,750,000	134,965,000	2.16	3.44	5.60
2035	34,195,000	31,350,000	31,020,000	35,245,000	97,615,000	131,810,000	2.09	3.33	5.42
2036	32,085,000	31,250,000	30,445,000	34,745,000	96,440,000	128,525,000	2.03	3.23	5.26
2037	29,885,000	31,145,000	29,850,000	34,225,000	95,220,000	125,105,000	1.77	3.35	5.12
2038	27,985,000	30,645,000	29,225,000	33,685,000	93,555,000	121,540,000	1.71	3.25	4.96
2039	26,000,000	30,125,000	28,570,000	33,120,000	91,815,000	117,815,000	1.66	3.15	4.81
2040	23,930,000	29,580,000	27,885,000	32,530,000	89,995,000	113,925,000	1.61	3.06	4.67
2041	21,755,000	29,010,000	27,170,000	31,915,000	88,095,000	109,850,000	1.57	2.97	4.54
2042	19,470,000	28,415,000	26,420,000	31,275,000	86,110,000	105,580,000	1.52	2.88	4.40
2043	17,070,000	27,795,000	25,630,000	30,605,000	84,030,000	101,100,000	1.48	2.80	4.28
2044	14,550,000	27,145,000	24,800,000	29,905,000	81,850,000	96,400,000	1.43	2.71	4.14
2045	11,905,000	26,465,000	23,930,000	29,170,000	79,565,000	91,470,000	1.39	2.63	4.02
2046	9,125,000	25,755,000	23,020,000	28,395,000	77,170,000	86,295,000	1.35	2.56	3.91
2047	6,210,000	25,010,000	22,060,000	27,580,000	74,650,000	80,860,000	1.31	2.48	3.79
2048	3,150,000	24,230,000	21,055,000	26,720,000	72,005,000	75,155,000	1.25	2.43	3.68
2049	-	23,350,000	20,000,000	25,815,000	69,165,000	69,165,000	-	3.58	3.58
2050	-	19,120,000	18,895,000	24,865,000	62,880,000	62,880,000	-	3.47	3.47
2051	-	14,680,000	17,735,000	23,870,000	56,285,000	56,285,000	-	3.37	3.37
2052	-	10,020,000	16,520,000	22,825,000	49,365,000	49,365,000	-	3.27	3.27
2053	-	5,130,000	15,245,000	21,725,000	42,100,000	42,100,000	-	3.17	3.17
2054	-	-	13,905,000	20,575,000	34,480,000	34,480,000	-	3.08	3.08
2055	-	-	7,120,000	19,360,000	26,480,000	26,480,000	-	2.99	2.99
2056	-	-	-	18,080,000	18,080,000	18,080,000	-	2.90	2.90
2057	-	-	-	9,260,000	9,260,000	9,260,000	-	2.82	2.82

Ballot Language

LOWELL AREA SCHOOLS
BOND PROPOSAL

Shall Lowell Area Schools, Kent and Ionia Counties, Michigan, borrow the sum of not to exceed One Hundred Four Million One Hundred Fifty Thousand Dollars ($104,150,000) and issue its general obligation unlimited tax bonds therefor, in one or more series, for the purpose of:

> erecting, completing, remodeling, and equipping and re-equipping school buildings and facilities, and additions to school buildings and facilities; furnishing and refurnishing school buildings and facilities; acquiring, installing, equipping and re-equipping school buildings for instructional technology; and preparing, developing, improving and equipping athletic fields, play fields, playgrounds, structures, facilities 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 1.11 mills ($1.11 on each $1,000 of taxable valuation) for a 0.00 mill net increase over the prior year's levy. 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 2.88 mills ($2.88 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 $2,107,667 and the estimated total interest to be paid thereon is $482,967. The estimated duration of the millage levy associated with that borrowing is eight (8) years and the estimated computed millage rate for such levy is 7.00 mills. The estimated computed millage rate may change based on changes in certain circumstances.

The total amount of qualified bonds currently outstanding is $74,170,000. 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.)

Ballot Language FAQs

Question: In the ballot language, the first paragraph states a not to exceed figure of $104,150,000 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 $104,150,000.

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 1.11 mills, what does this mean?
Answer: This means that the allocated debt millage for this proposal to be levied in the first year (2024) is 1.11 mills. (1.11 mills new bonds +5.89 mills existing bonds = 7.00 total estimated 2024 millage rate)

Ballot Language FAQs

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

Answer: No, the overall debt millage rate in 2024 is estimated to remain the same as the 2023 rate as illustrated in the table as seen.

	2024	2023	Difference
Proposed bonds allocated	1.11		1.11
Existing bonds allocated	5.89	7.00	(1.11)
Total estimated debt millage rate	7.00	7.00	0.00

Question: How can the school district complete this bond proposal without increasing the present debt millage rate of 7.00 (2024)?

Answer: Each year the debt millage rate is recalculated based upon the school district's new taxable value figure and the bond payments required in the upcoming year. Due to repaying prior outstanding bonds along with taxable value growth, it is estimated that the debt millage rate required to pay the existing bond payments will decline allowing this proposal to be funded without having to change the present debt millage rate of 7.00 (2024).

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 3 separate series, in 2024, 2028 and 2030. 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 the proposed bond debt is 2.88 mills, what does this mean?

Answer: This means that over the entire life of the bond proposal (3 bond series) that the average annual debt millage rate necessary to repay the Bonds is estimated to be 2.88 mills.

Ballot Language FAQs

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 $2,107,667 and estimated interest is $482,967. What does this mean?

Answer: In order to achieve a lower targeted total bond millage rate of 7.00, 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 the District's utilization of the SLRF program.

Question: In the ballot language it states that the estimated duration of the borrowing is 8 years and that the estimated computed millage rate for such levy is 7.00 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 8-year duration and that the District has agreed to levy an overall debt millage rate of 7.00 to repay the Bonds and loans from the SLRF program.

Ballot Language FAQs

Question: In the ballot language it states that the amount of qualified bonds currently outstanding is $74,170,000 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 $74,170,000. 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. At the time of the election, the School District has not borrowed from the 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 $104,150,000 of bonds?

Answer: No. The bonds are proposed to be issued in 3 series (2024, 2028, 2030). This allows for years of bond repayments to occur before a new bond issue is completed, and lowers overall interest payments because the Bonds are not being issued until funds are needed.

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 debt millage rate estimated to be the same for the entire life of the bond proposal?

Answer: No, the debt millage rate is estimated to remain at 7.00 mills through 2030, 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 debt millage rate?

Answer: The present 5-year historical taxable value growth rate for the school district is 6.30%. The present 20-year average taxable value growth rate is 3.85%. For years 2024 through 2028, a 4.50% taxable value growth assumption has been used. For years 2029 and beyond, a 3.00% taxable value growth assumption has been used.

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 several years allowing for the 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 the full principal amount of $104,150,000. Issuing the bonds in series over time allows the school district to lower the annual bond balance.

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 debt millage. A 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 debt millage?

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