

Facilities Voted Bond Issue Infrastructure Process

MARCH 2, 2019

PRESENTED BY:

Marios Demetriou, Ann Arbor Public Schools Assistant Superintendent-Finance and Operations

Presentation Overview

K-12 School Infrastructure Quality

- National + State of Michigan

Capital Investment Scenarios

- Voted Bond Issue Explanation
- Permissible Uses and Regulations

Overview Of The Voted Bond Issue Players

Overview Of A Possible Voted Bond Issue Process

What We Could Create With The Funds

Communication Of Construction Update

K-12 School Infrastructure Quality

National + State of Michigan

American Society of Civil Engineers - *Infrastructure Report Card*



2017

INFRASTRUCTURE REPORT CARD

GRADING SCALE



EXCEPTIONAL: FIT FOR THE FUTURE

The infrastructure in the system or network is generally in excellent condition, typically new or recently rehabilitated, and meets capacity needs for the future. A few elements show signs of general deterioration that require attention. Facilities meet modern standards for functionality and are resilient to withstand most disasters and severe weather events.



GOOD: ADEQUATE FOR NOW

The infrastructure in the system or network is in good to excellent condition; some elements show signs of general deterioration that require attention. A few elements exhibit significant deficiencies. Safe and reliable with minimal capacity issues and minimal risk.



MEDIocre: REQUIRES ATTENTION

The infrastructure in the system or network is in fair to good condition; it shows general signs of deterioration and requires attention. Some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk.



POOR: AT RISK

The infrastructure is in poor to fair condition and mostly below standard, with many elements approaching the end of their service life. A large portion of the system exhibits significant deterioration. Condition and capacity are of significant concern with strong risk of failure.



FAILING/CRITICAL: UNFIT FOR PURPOSE

The infrastructure in the system is in unacceptable condition with widespread advanced signs of deterioration. Many of the components of the system exhibit signs of imminent failure.

National K-12 Schools Infrastructure Grade = D+



Investment needed to improve and maintain school facilities:

Annual need: \$87 Billion

Actual annual investment: \$49 Billion


Annual Investment Gap: \$38 Billion


- American Society of Civil Engineers – 2017 Infrastructure Report

Michigan K-12 Schools Infrastructure Grade = D+



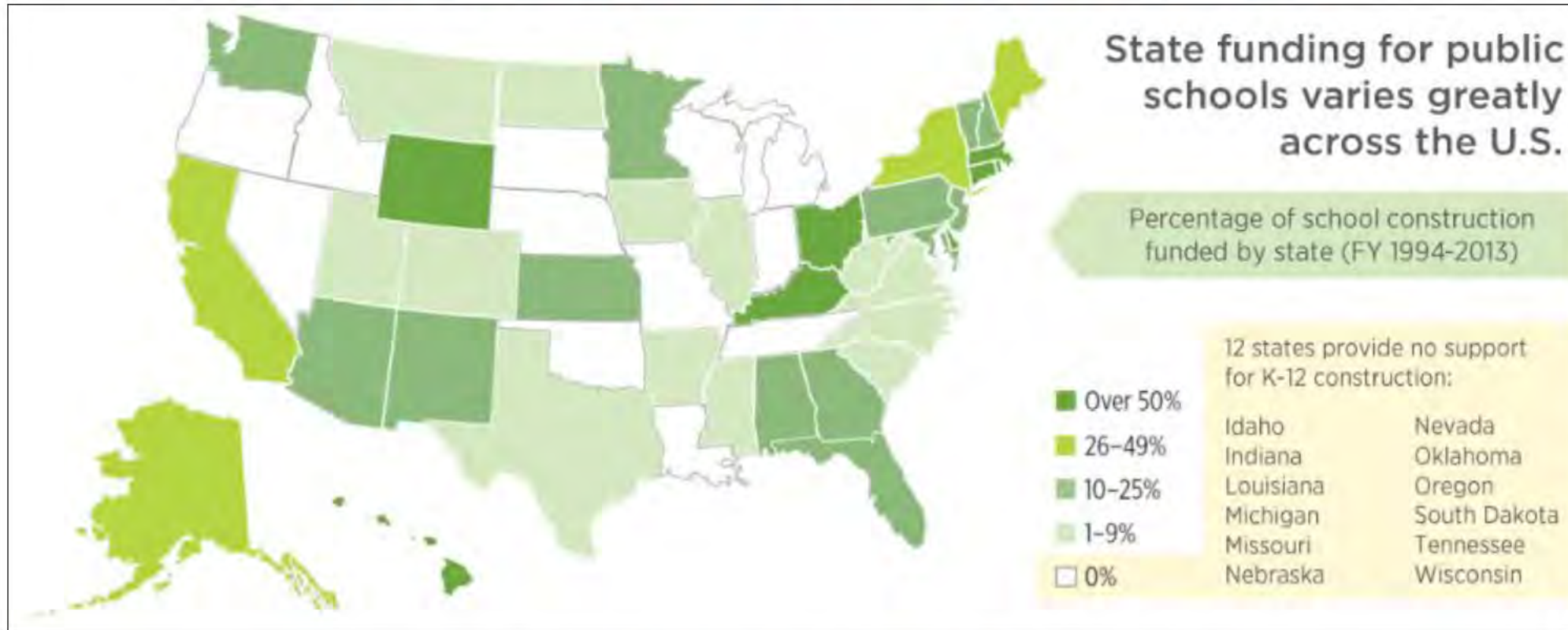
SCHOOLS
GRADE: D+

 **MEDIOCRE: REQUIRES ATTENTION**
The infrastructure in the system or network is in fair to good condition; it shows general signs of deterioration and requires attention. Some elements exhibit significant deficiencies in conditions and functionality, with increasing vulnerability to risk.

 **POOR: AT RISK**
The infrastructure is in poor to fair condition and mostly below standard, with many elements approaching the end of their service life. A large portion of the system exhibits significant deterioration. Condition and capacity are of significant concern with strong risk of failure.

- American Society of Civil Engineers – 2017 Infrastructure Report

National K-12 Schools Infrastructure Investment of State Governments



Michigan is one of only 12 states with no state funding dedicated to school infrastructure

- U.S. Green Building Council - *State of Our Schools Report 2016*

Capital Investment Scenarios

Voted Bond Issue Explanation
Permissible Uses and Regulations

Voted Bond Issues

Legislative Authority - 1351a of the Revised School Code

Voter Approval Required

Unlimited Tax General Obligations

- Voters authorize school district to issue a specific amount of bonds to pay for improvements identified in ballot proposition
- School district must levy **whatever number of mills are necessary** on the taxable property within the school district to make principal and interest payments on the bonds
- **All** of the work must be contracted
- **None** of the work can be paid to employees of the district

Voted Bond Issues – cont'd

Permissible Uses of Proceeds

- Constructing new school buildings and additions to existing school buildings
- Remodeling existing school buildings
- Energy conservation improvements
- Asbestos abatement
- Acquiring school buses

Voted Bond Issues – cont'd

Permissible Uses of Proceeds, cont'd

- Purchasing land
- Developing and improving sites, athletic and physical education facilities, and playgrounds
- Paying the costs related to the bond issue, such as professional fees, election fees, qualification fees, insurance fees, construction fund audit fees
- Purchasing loose furnishings and equipment

Voted Bond Issues – cont'd

Permissible Uses of Proceeds, cont'd

- Purchasing "technology", which is limited to:
 - Hardware and communication devices that transmit, receive or compute information for pupil instructional purposes
 - The initial purchase of operating system software and/or customized application software, accompanying the purchase of such hardware and communication devices
 - The cost of the design and installation of the technology items listed above
- Refunding all or part of outstanding bond issues

Voted Bond Issues – cont'd

Subject to the Construction Fund Audit Requirement

- Bond proceeds may be used only for the projects described in the ballot proposition
- For each series of bonds issued, a school district shall have an independent audit of its bonding activities conducted within 120 days after the date the last certificate of substantial completion is executed for all projects financed by bond proceeds

Voted Bond Issues – cont'd

Subject to the Construction Fund Audit Requirement, cont'd

- The school district shall submit the report to Treasury:
 - Within 150 days after completion of all projects; or
 - As part of the school district's annual audit for the next ended fiscal year
 - Letter must be sent to Treasury, within 120 days after substantial completion, requesting this alternative
- Alternatively, the school district may engage an auditor to conduct the audit of bonded construction projects on an annual basis

Voted Bond Issues – cont'd

Maximum Bond Term – 30 years

- Further limited by the estimated useful life of the improvements
- Examples of estimated useful lives:
 - School buses – 6 years
 - Loose furnishings and equipment – 10 years
 - Technology – 5 years

Capacity To Issue Additional Bonds Example

Debt Limitation - 15% of the total assessed valuation of the school district

Example:

Taxable Value	= \$2 Billion
15% Of Taxable Value	= \$300 Million
Outstanding Bonds	= \$50 Million

The additional bonding capacity = \$250M

Three Year Limitation Example

District Capacity To Issue Debt	\$250M
District Asked Taxpayers To Issue Debt	\$200M
Voters Approved Debt In May 2019	\$200M

District Issues \$200M Bonds In 4 series, 10 Year Construction Schedule

Series 1, June 2019	\$75M (Funds Must be spent by June 2022)
Series 2, June 2022	\$50M (Funds Must be spent by June 2025)
Series 3, June 2024	\$50M (Funds Must be spent by June 2027)
Series 4, June 2026	\$25M (Funds Must be spent by June 2029)

The Players

The Players

Board of Education – Approves ballot language which includes amount to ask voters and when the election will be held.

Superintendent and Administration – Works with all the other players and makes recommendation to BOE.

Legal Counsel – Drafts ballot language, works with financial advisor and underwriters drafting documents to sell the bonds.

Financial Advisor – Prepares various financial scenarios helps to draft documents to sell the bonds, prepares cash flow based on construction plan.

Underwriters – Sells the bonds in the open market.

Paying Agent – Collects and sends the funds in exchange for our bonds. The district pays back the funds plus interest in the future.

Polling Company – Polls the community to see what, if any, tax increase can be approved.

Architects and Engineers – Prepares drawings and renderings and helps build and execute the construction plan.

The Players

Construction Manager(s) – Helps build and execute the construction plan which determines the cash flow needed therefore, when and how many of the bonds will be sold.

Facility Assessment Company – Assesses all the facilities of the district and assigns a cost for the recommended improvements.

Rating Agency – Performs a credit rating of the district which affects the interest rate the district will pay on the bond issue.

PTA/PTO, Citizens Yes Campaign – Fundraises, seeks endorsements and drives the **Yes Campaign**.

Treasury – Qualifies the bonds to be part of the **School Bond Loan Fund** program (7Mills minimum – 13 Mills maximum)

Overview Of A Possible Process

How Do WE Get This Accomplished?

The Superintendent Always Keeps The BOE Apprised Of The Information As It Comes In

Step 1 - Evaluate Where The District is financially. Does it have the capacity to borrow? Remember the 15% of Tax Base Calculation. If the answer is yes then how much can it borrow?

Legal Counsel and Financial Advisor can assist

Step 2 – Evaluate the condition of the district’s facilities and financial estimates to bring the buildings up to optimum level. Make results public (Board Meetings, Website, Newspaper)

Facilities Assessment Company, Architects and Engineers and Districts Facilities Department can help

Step 3 – Have Financial Advisor run various financial scenarios in order to raise various amounts, make results public (Board Meetings, Website, Newspaper)

Financial Advisor can assist

How Do WE Get This Accomplished?

Step 4 – Conduct a survey to determine what financial scenario the community can support

The polling company will conduct the survey

Step 5 – The Superintendent and Administration present all the information to the BOE. The Superintendent and Administration recommend and ask for approval of an amount and the date of the election in the form of a resolution which includes the ballot language.

Legal Counsel and financial advisor can assist

Step 6 – The Board of Education approves the ballot language and the resolution.

Legal Counsel and financial advisor can assist

How Do WE Get This Accomplished?

Step 7 – Board of Education submits signed resolution to County Clerk to conduct the election.

Legal Counsel can assist. Timeframes must be met, paperwork must be submitted approximately 85 days prior to election. County clerk must validate and approve ballot language and conducts the election.

Step 8 – Create the Citizens Committee to fundraise and campaign for the passing of the bond issue

The PTO/PTA supporters of the school district will volunteer to do the work. None of this work can be performed by district employees on district hours or district property except by the Superintendent.

How Do WE Get This Accomplished?

Step 9 – Administration along with the Architects, Engineers and Construction Managers create a construction plan for the planned amount including contingencies. Drawings and renderings are created to showcase how great the schools will look.

Architects, Engineers, and Construction Managers will help

Step 10 – The Administration with the Financial Advisor create a cash flow plan based on the construction plan

The Financial Advisor, Architects, Engineers, and Construction Managers will help

How Do WE Get This Accomplished?

Step 11 – Board of Education and Administration conduct an Information Campaign up to the election. **JUST THE FACTS!**

Legal Counsel can assist to keep us out of trouble. Stay away from gray areas!

Step 12 – Create the Citizens Committee to fundraise and campaign for the passing of the bond issue

The PTO/PTA and other supporters of the school district will volunteer to do the work. None of this work can be performed by district employees on district hours or district property. The Superintendent is the only employee who can campaign within limits of the law for the district.

Election Takes Place

**VOTERS SAID:
YES**

How Do WE Get This Accomplished?

Step 13 – Board Of Education adopts Series 1 Bond Authorizing Resolution.

Legal Counsel and Financial Advisor will assist to make sure everything is done correctly.

Step 14 – Administration issues an Official Statement to Issue Tax Exempt Building and Site Bonds Series 1.

Legal Counsel and Financial Advisor will assist to make sure everything is done correctly.

Step 15 – Bond Rating Call is performed between Rating Agency (Ex. Moody's or Standard and Poor's) and Administration. Rating is issued.

Fund Balance in the General Fund is a big factor. The rating affects the interest rate that will be paid on the bonds

How Do I Get This Accomplished?

Step 16 – Bonds are sold and funds are received!

Administration, Legal Counsel, Financial Advisor, Underwriters and Paying Agent all work together to make sure everything is done correctly. Usually need 60 days after the election to issue the first series of bonds.

Step 17 – Administration can begin executing the Construction Plan!

What could we create?



Bloomfield Hills High School

Bloomfield Hills, MI – Stantec Architects



Dexter High School

Dexter, MI – Kingscott Architects



Discovery Elementary

Arlington, VA – VMDO Architects

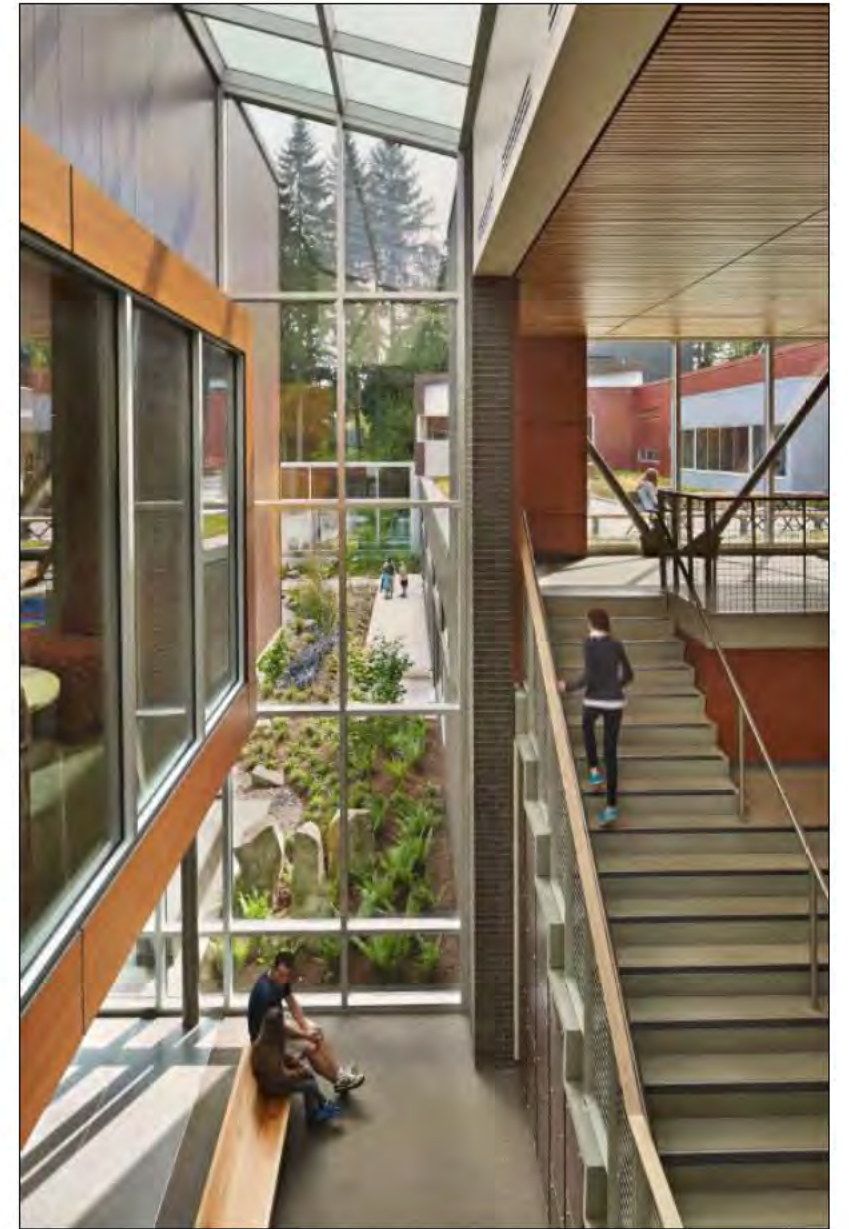
Net-Zero Energy



Cherry Crest Elementary

Bellevue, WA – NAC Architects

Nature Focused Design



DISTRICT OF COLUMBIA PUBLIC SCHOOLS

MODERNIZATION PROGRAM

- Over \$4 Billion has been invested to modernize school facilities in the District since the early 2000s.
- Between \$300-\$400M is spent annually on Capital construction projects.
- By 2025 all schools will have received a significant Capital investment.



Value of Modernized Schools – Washington DC Study

STUDENTS ARE...



25% more proud to go to school in a modernized building

AND



16% happier,
18% calmer,
17% healthier, and
16% more ready to learn in modernized school classrooms

IN MODERNIZED SCHOOLS

STUDENTS ARE...

9% more satisfied with thermal comfort



14% more satisfied with air quality



18% more satisfied with acoustics



13% more satisfied with daylight



FACULTY ARE...

40% more satisfied with thermal comfort

45% more satisfied with air quality

30% more satisfied with acoustics

45% more satisfied with daylight

Perkin Eastman – *Investing in Our Future* – Washington DC School Modernization Study

Modernized Washington DC School



Perkin Eastman – *Investing in Our Future* – Washington DC School Modernization Study

Modernized Washington DC School



Perkin Eastman – *Investing in Our Future* – Washington DC School Modernization Study

Modernized Washington DC Schools



Perkin Eastman – *Investing in Our Future* – Washington DC School Modernization Study

Baldwin Elementary and Intermediate School

Manassa, Virginia – Moseley Architects



Campus International School (K-8)

Cleveland, OH – TDA Architects/Perkins+Will



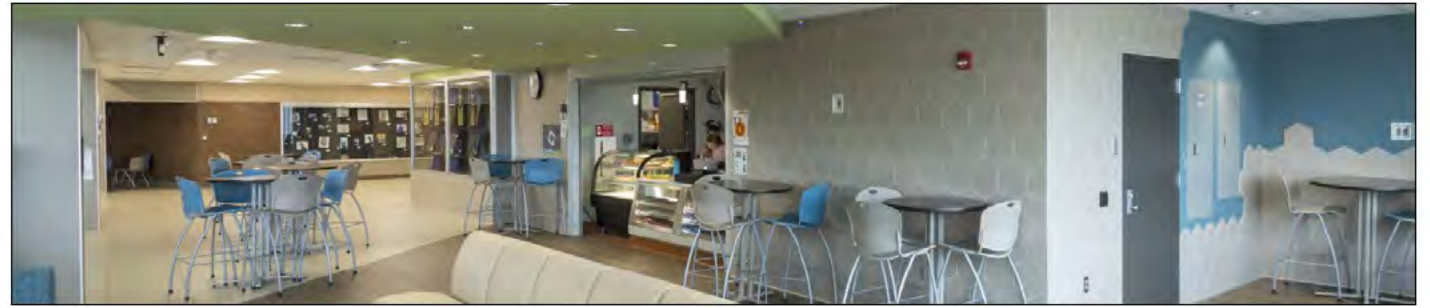
The New School

Fayetteville, AK– Hight Jackson Architects



Edina High School

Edina, MN – Wold Architects and Engineers



Rio Vista Elementary

Pico Rivera, CA – Joe LoBusso Architects



One Way To Update Your Community On The Progress You Are Making With Your Facilities.....



ANN ARBOR PUBLIC SCHOOLS
LEAD. CARE. INSPIRE



SUMMER FACILITIES UPDATE

ROOFING PROJECTS

ROOFING PROJECTS – HURON HIGH GYM DOME



ROOFING PROJECTS – HURON HIGH GYM DOME



ROOFING PROJECTS – HURON HIGH GYM DOME



ROOFING PROJECTS – HAISLEY ELEMENTARY



ROOFING PROJECTS – HAISLEY ELEMENTARY



ROOFING PROJECTS – HAISLEY ELEMENTARY



ROOFING PROJECTS – REC & ED



ROOFING PROJECTS – REC & ED



ROOFING PROJECTS – REC & ED



MODULAR PROJECTS



MODULAR CLASSROOMS – MITCHELL ELEMENTARY



MODULAR CLASSROOMS – MITCHELL ELEMENTARY



MODULAR CLASSROOMS – WINES ELEMENTARY



MODULAR CLASSROOMS – WINES ELEMENTARY



MODULAR CLASSROOMS – WINES ELEMENTARY



MODULARS – THURSTON ELEMENTARY FIRE HYDRANT LOOP



MODULARS – THURSTON ELEMENTARY FIRE HYDRANT LOOP



MODULARS – THURSTON ELEMENTARY FIRE HYDRANT LOOP



TENNIS COURT RENEWALS



TENNIS COURT RENEWALS – PIONEER HIGH



TENNIS COURT RENEWALS – PIONEER HIGH



TENNIS COURT RENEWALS – FORSYTHE MIDDLE



TENNIS COURT RENEWALS – FORSYTHE MIDDLE



TENNIS COURT RENEWALS – FORSYTHE MIDDLE



TENNIS COURT RENEWALS – HURON HIGH



TENNIS COURT RENEWALS – HURON HIGH



PAVING PROJECTS



PAVING – ANGELL ELEMENTARY



PAVING – ANGELL ELEMENTARY



PAVING – FREEMAN ENVIROMENTAL CENTER



PAVING – FREEMAN ENVIROMENTAL CENTER



PAVING – MITCHELL ELEMENTARY



PAVING – MITCHELL ELEMENTARY



PAVING – MITCHELL ELEMENTARY



PAVING BASKETBALL COURT – MITCHELL ELEMENTARY



PAVING – KING ELEMENTARY



PAVING - KING



PLAYGROUND PROJECTS



PLAYGROUND - ABBOTT ELEMENTARY

