



Farwell Area Schools

2019 June
Bond Decision



Our mission is:

“Together with family and community, Farwell Area Schools will educate all students in a supportive environment, engaging them in learning through a variety of challenging experiences to ensure success in an ever-changing world.”



Tonight's Agenda

- Recap of May 20, 2019 & May 30, 2019 Meetings
- Seek further guidance from BOE on possible Course of Action (Size, Scope, & Long Range Plan)



Feedback from Community Forum

- Held two Community Forums with around 50 Community members in attendance each time.
- 25 years is to many years.
- 25 Years cost to much in interest.
- Want to know that FAS has a long range plan.
- All present acknowledge that facilities have needs



Purpose of Community Forums

- To design a ballot issue that addresses the needs of the Farwell Area Schools now and into the future.
- To design a ballot issue that the community can overwhelming support.
- To provide guidance to FAS BOE.



Facts

- Our problems are not getting fewer and or cheaper.
- Bond and or Sinking Funds dollars can not be used for salaries, this is state law.

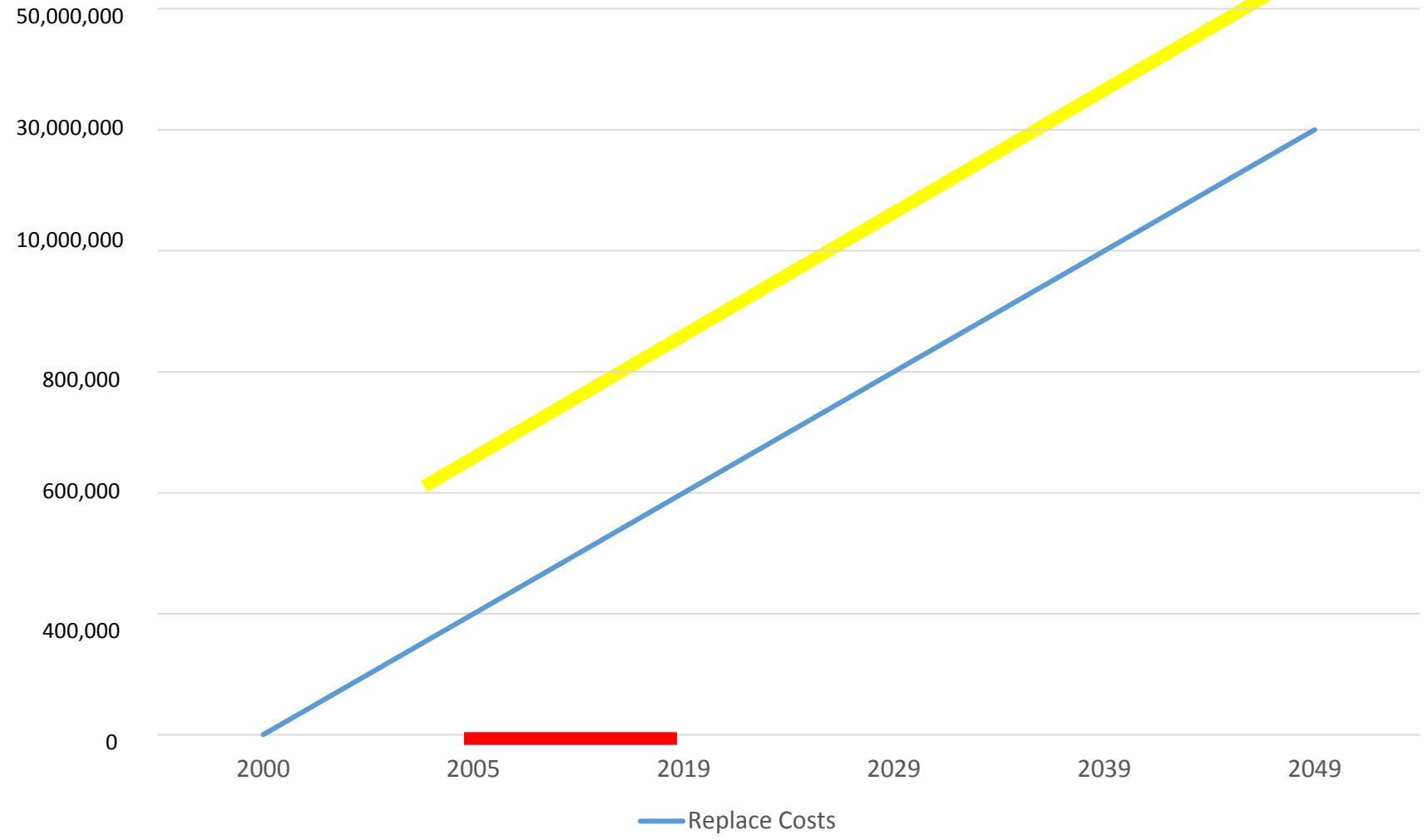


Needs

- Comprehensive Elementary School Upgrades
 - Playground: Equipment, Fence
 - Parking/Office Entrance
 - 1949 Teachout Wing
 - East Wing Remodel
- 18 Old boilers to 4 New
- HS/MS/JPAC Mechanical and Control Upgrades
- ES/HS/MS Roof Replacement
- District Wide Safety and Security Upgrades
- Resurface HS Gym Floor
- MS Flooring Replacement
- Improved JPAC Drop Off Pick Up
- District Wide PA System Upgrades
- Replace HS/MS/ES Windows and Doors
- Exterior LED Lighting Conversion
- HS/MS/ES Interior Improvements
- District Wide Clock Upgrades/Additions
- Bus Garage Improvements
- Timberland Improvements
- Sports Complex
- Repair and Resurface Track
 - Install New Ticket Booth / Fence / Well Pressure Tank / New Electrical Shed



Replace Costs





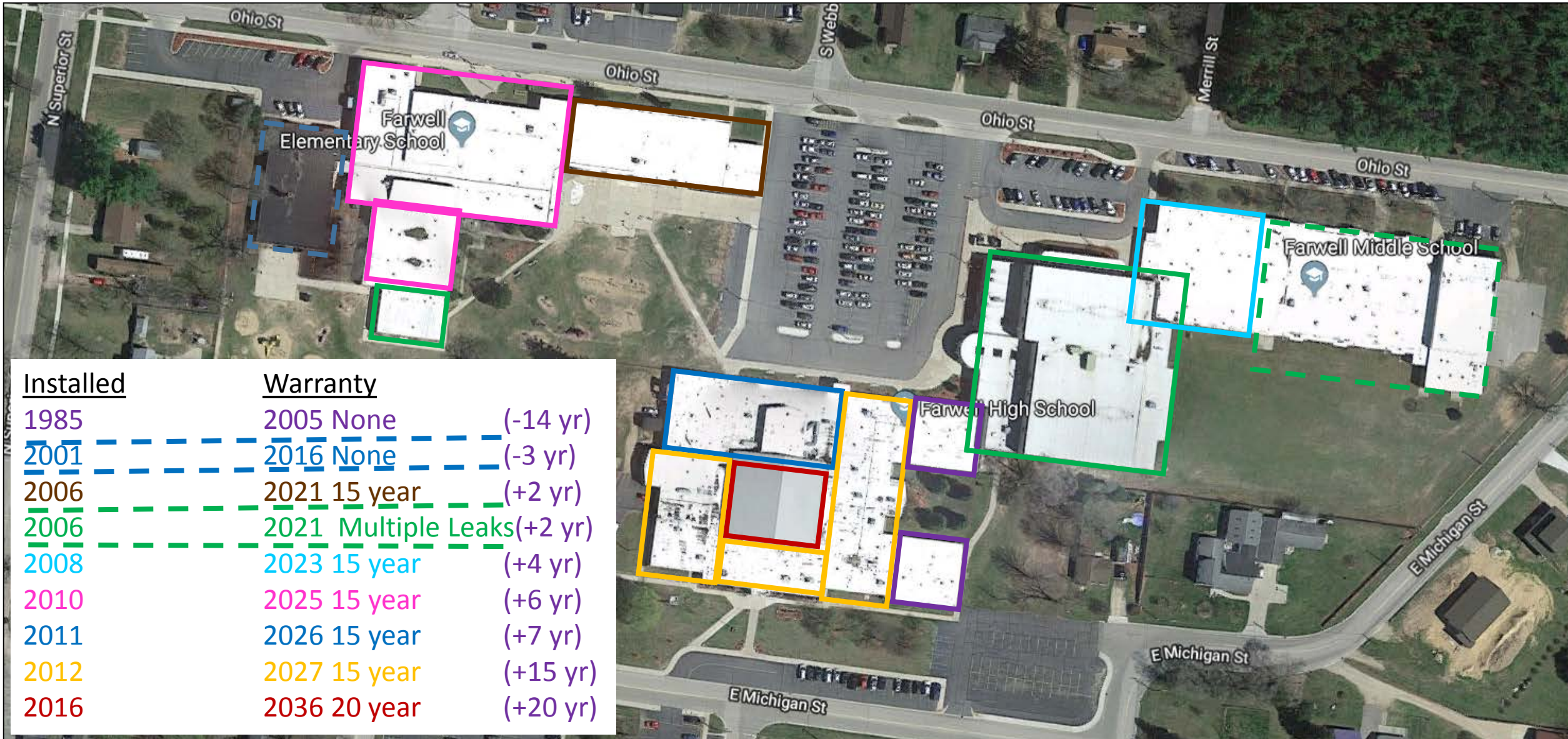
Status of Boilers and HVAC

- Entire District HVAC System Upgraded
- Elementary
 - 11 Boilers [9= 29 years old (1990), 2=11 years old (2008)]
 - **Replace with 2 High Volume Boilers**
- Middle School
 - 2 Boilers = [13 years old (2006)]
 - **Not replaced at this time**
- High School
 - 7 Boilers [4= 29 years old (1990), 3=15 years old (2004)]
 - **Replace with 2 High Volume Boilers**
- JPAC
 - 2 Boilers = [13 years old (2006)]
 - **Not replaced at this time**

4 Boilers to be replaced in 7 -10 years is a great sinking fund projected if started in the next 5 years



Status of Roofs



<u>Installed</u>	<u>Warranty</u>	
1985	2005 None	(-14 yr)
2001	2016 None	(-3 yr)
2006	2021 15 year	(+2 yr)
2006	2021 Multiple Leaks	(+2 yr)
2008	2023 15 year	(+4 yr)
2010	2025 15 year	(+6 yr)
2011	2026 15 year	(+7 yr)
2012	2027 15 year	(+15 yr)
2016	2036 20 year	(+20 yr)



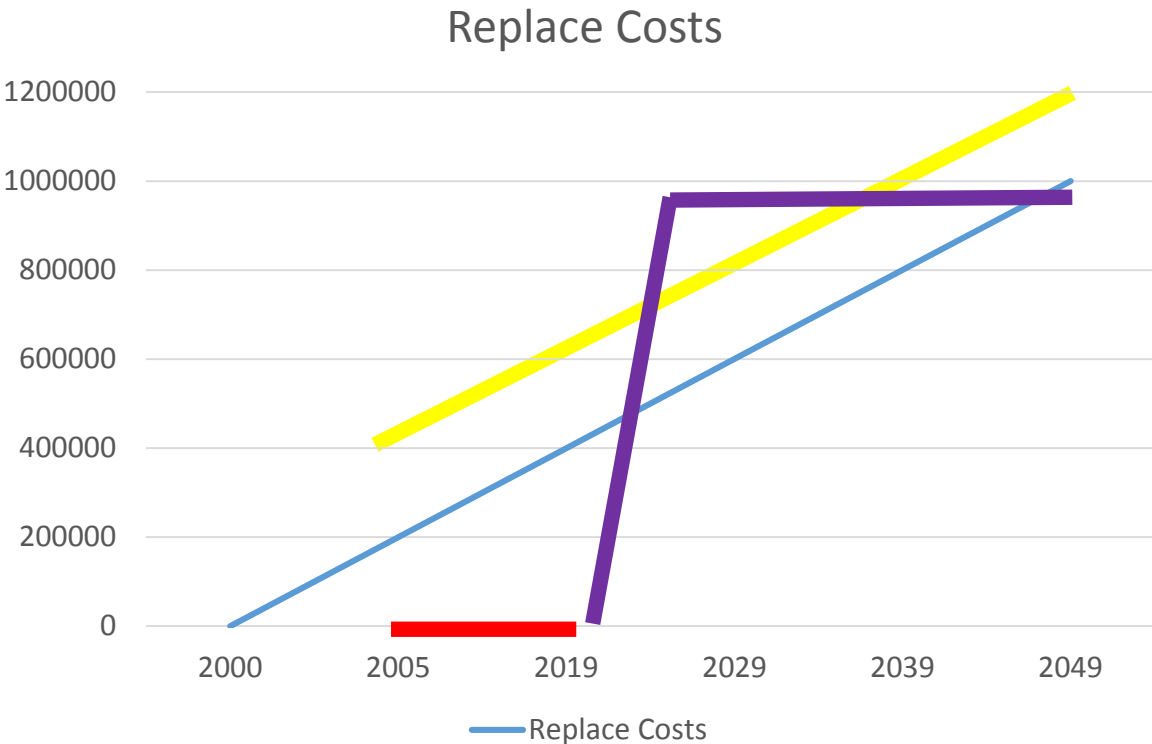
COA #1: Repeat May 7 Ballot Issue

Pros

- Generates the most dollars in the shortest amount of time.
- All prep work is done.

Cons

- Length, 25 Year issue
- Large amount of interest
- Could Split Community



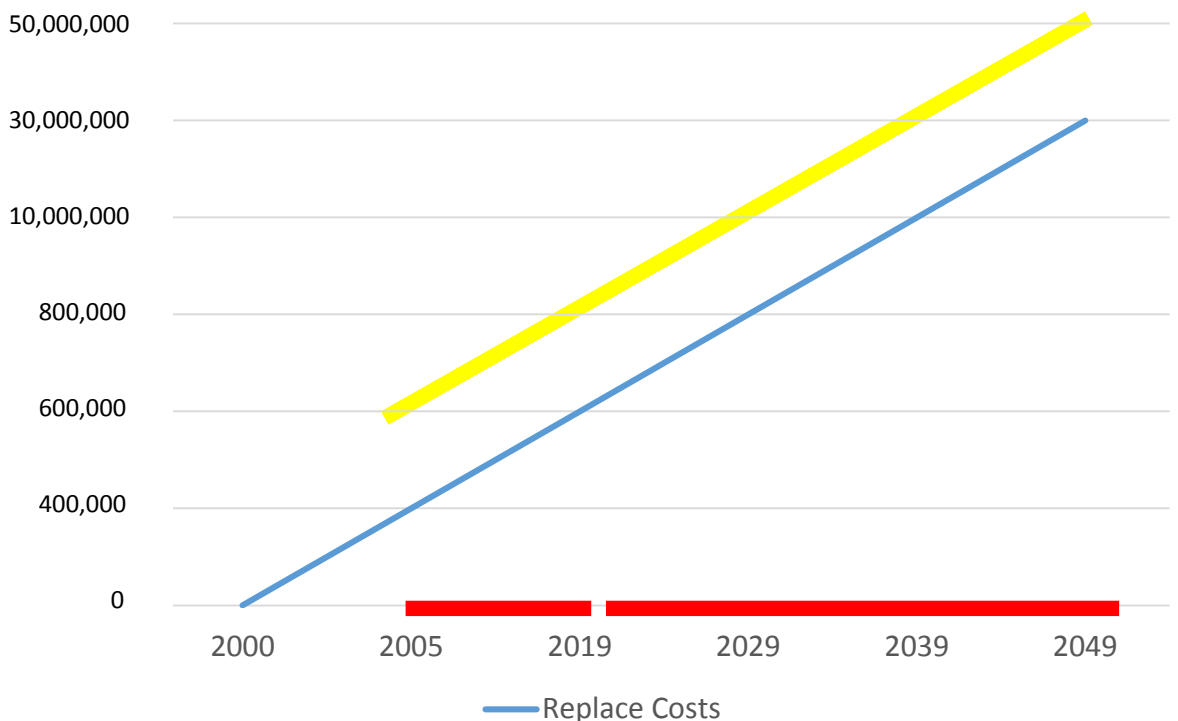


COA #2: Start Whole Process Over

Pros

- Could hold more Community Forum meetings.

Replace Costs



Cons

- Replacement Cost Gap Continues to Grow
- Roofs and boilers continue to fail, taking money from our general fund.
- No more fund being raised as of December 2019.
- All new requests would be a straight increase



COA #3: Wait until next May or even November

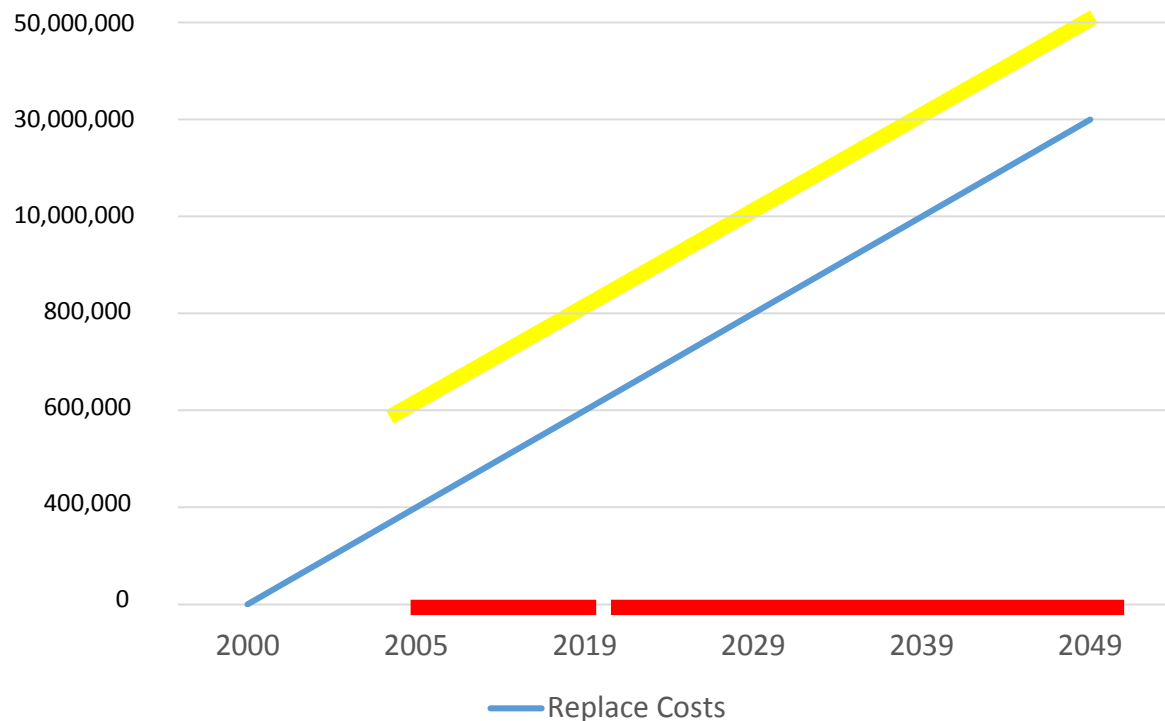
Pros

- Could hold more Community Forum meetings.

Cons

- Replacement Cost Gap Continues to Grow
- Roofs and boilers continue to fail, taking money from our general fund.
- No more fund being raised as of December 2019.
- All new requests would be a straight increase

Replace Costs





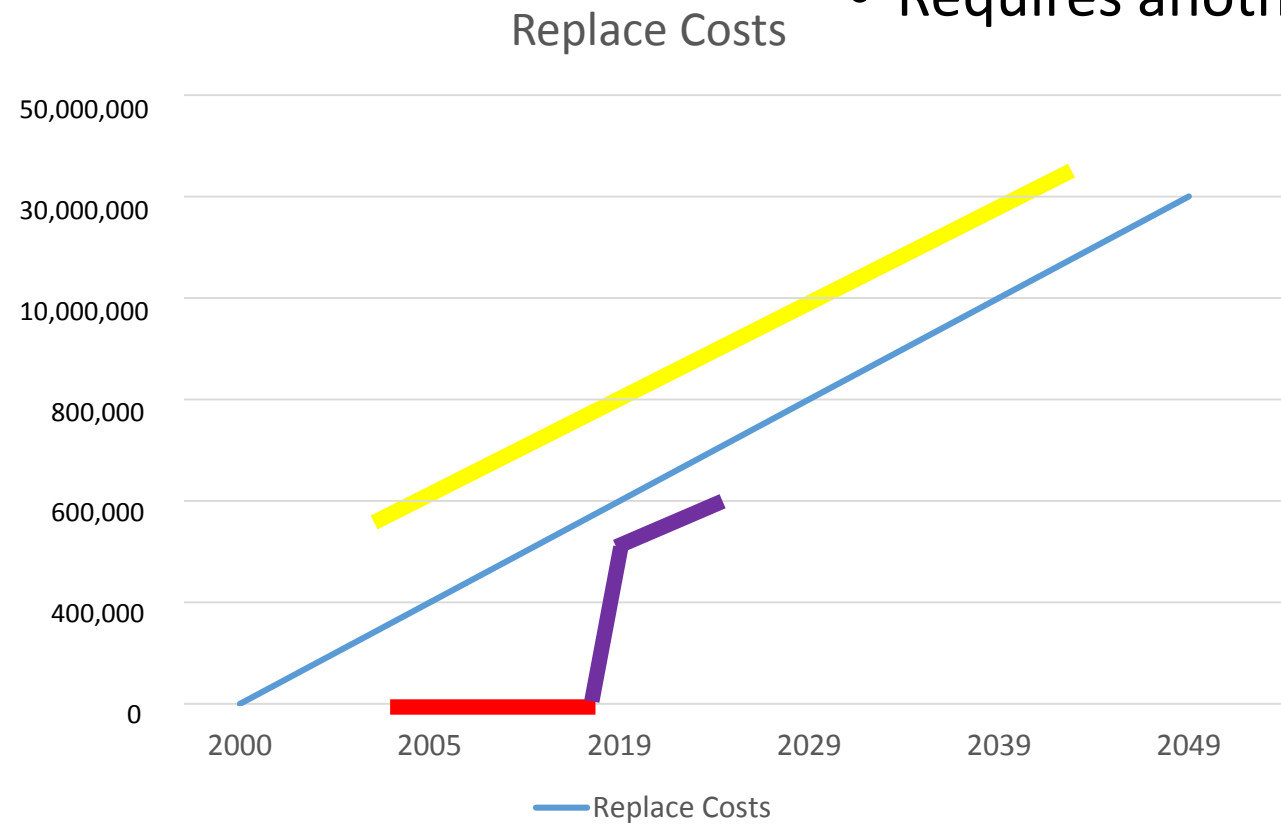
COA #4: 2.1 Bond Renewal for 20 Years and a 1 Mil Sinking Fund for 10, with a plan to renew in 10 years

Pros

- Narrows the Replacement Gap, Now
- Fewer Years
- Less Interest
- Max Total 3.1 Mils
- Plan for the Future

Cons

- Doesn't completely close the gap
- Requires X # more cuts
- Requires another vote in 10 years





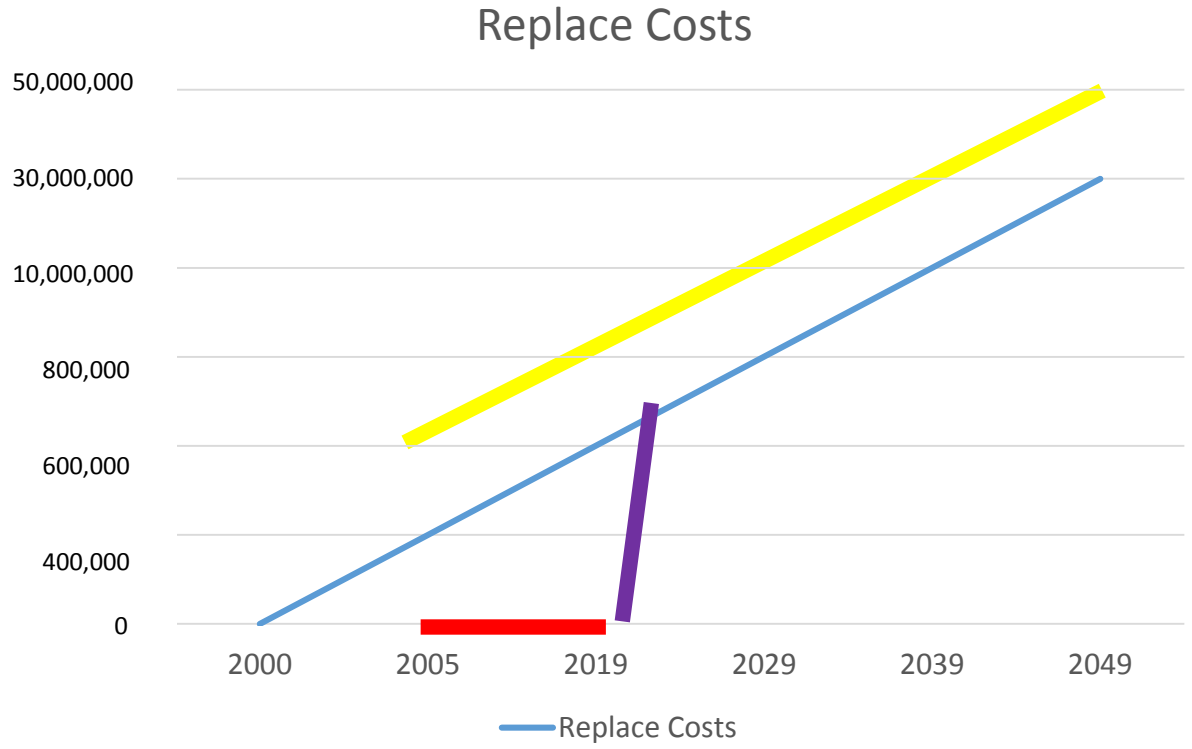
COA #5: Renew 2.1 Bond and ask for a .9 increase for 20 Years, will need to approve a sinking fund in X number years.

Pros

- Generates 19,300,000
- All prep work is done.
- Dramatically Closes Gap

Cons

- Long Range Plan less defined





Time line for a qualified November Bond Election if COA #4 or #5

- Monday, May 20, 2019 1st Community Forum
 - Thursday, May 30 at 7 pm, Community Forum
 - June 14 Final Guidance from district to JCI
-
- Tuesday, July 2, 2019 – Preliminary Qualification Application to Thrun Law Firm.
 - Tuesday, July 9, 2019 – Dept. of Treasury
 - Monday, July 15, 2019 – FAS BOE Approval
 - Tuesday, November 3, 2019 – Election Day



Sinking Fund

**FARWELL AREA SCHOOLS
COUNTIES OF CLARE AND ISABELLA, STATE OF MICHIGAN**

SUMMARY OF SINKING FUND ALTERNATIVES

Projected Receipts Scenario	Projected Receipts Millage	Projected Receipts in 1st year	over 5 years	over 10 years
1a	1.00	438,250	2,277,482	4,851,420
2a	2.00	876,501	4,554,964	9,702,839
3a	3.00	1,314,751	6,832,446	14,554,259

Assumptions

- 1st levy December 1, 2020.
- projected annual change in Taxable Value of 1.93% for the next 5 years and 2.83% thereafter.

Notes

- Sinking fund mills are subject to Headlee millage reduction in the event existing property grows at a rate greater than inflation.
- Sinking fund mills could be up to 3 mills for as long as 10 years.



FARWELL AREA SCHOOLS
 SCHOOL BUILDING AND SITE BONDS
 SUMMARY OF PROPOSED BONDING ALTERNATIVES WITH A NOVEMBER 2019 VOTE
 COMPARING BONDING CAPACITY AT A NO MILL AND 0.90 MILL INCREASE AND VARIOUS BOND TERMS

Scenario	Bond	Estimated	Estimated		Estimated Total	Estimated	First Year	Ballot Info	Maximum	Estimated
Table No.	Amount	Capitalized	Bond Proceeds	Bond Term	Interest Cost	Interest Rate	Millage*	Average	Total Mills	Increase in
		Interest	for Project					Millage	All Debt	Debt Levy*
Table_30a	Bonds issued in 1 Series									
Series 2020	\$10,900,000	\$327,000	\$10,516,000	14 yrs., 3 mo.	\$3,408,000	4.00%	2.10	1.97	2.10	0.00
Table_31a	Bonds issued in 1 Series									
Series 2020	13,400,000	427,125	12,961,000	19 yrs., 3 mo.	6,272,150	4.25%	2.10	1.88	2.10	0.00
Table_32a	Bonds issued in 1 Series									
Series 2020	15,200,000	513,000	14,707,000	24 yrs., 3 mo.	9,877,500	4.50%	2.10	1.78	2.10	0.00
Table_33a	Bonds issued in 1 Series									
Series 2020	15,450,000	463,500	15,009,000	14 yrs., 3 mo.	4,842,000	4.00%	3.00	2.81	3.00	0.90
Table_34a	Bonds issued in 1 Series									
Series 2020	18,900,000	602,438	18,340,000	19 yrs., 3 mo.	8,833,413	4.25%	3.00	2.65	3.00	0.90
Table_35a	Bonds issued in 2 Series, 18 months apart									
Series 2020	14,200,000	452,625	13,694,000	19 yrs., 3 mo.	6,363,313	4.25%				
Series 2021	5,100,000	0	5,002,000	17 yrs., 9 mo.	2,466,913	4.25%				
Total	19,300,000	452,625	18,696,000		8,830,225		3.00	2.69	3.00	0.90
Table_36a	Bonds issued in 1 Series									
Series 2020	21,400,000	722,250	20,734,000	24 yrs., 3 mo.	13,882,725	4.50%	3.00	2.51	3.00	0.90
Table_37a	Bonds issued in 2 Series, 18 months apart									
Series 2020	15,900,000	536,625	15,311,000	24 yrs., 3 mo.	10,034,100	4.50%				
Series 2021	5,900,000	0	5,795,000	22 yrs., 9 mo.	3,836,250	4.50%				
Total	21,800,000	536,625	21,106,000		13,870,350		3.00	2.54	3.00	0.90

27%

36%

17%

* The estimated mills in the first year for the new bonds is 0.90 higher than the millage change over the 2019 debt levy since the debt levy for the existing debt is projected to decrease by 0.90 mill with the 2020 debt levy.

ASSUMPTIONS:

- a debt levy of 2.1 mills for 2019.
- November 2019 vote, Bonds Dated February 2020 and second bond series, if any, dated August 2021.
- an annual change in Taxable Value of 1.93% (the 5 year historical average) for the next 5 years and 2.83% (the 20 year historical average) thereafter.

NOTATION:

- The interest rates used on the enclosed tables represent conservative rates. If the bonds were sold in the current market, the interest rate would be less than shown above. However, due to the fact the bond sale is at least six months away, we recommend using a conservative interest rate when computing the millage impact. Otherwise, if the interest rates rise, the District could be forced to levy a millage higher than the millage given in the pre-election information.



Questions