

Holly Area Schools
May 3, 2022 Bond Proposal
Frequently Asked Questions & Answers

Introduction: On May 3, 2022 our community will vote on a Holly Area Schools bond proposal. If approved by voters, this bond proposal would provide \$97,000,000 for district-wide improvements, with **no tax rate increase** to property owners over the current millage rate. This bond proposal was developed as the second part of the long-term master plan for district facilities. Buildings, sites, and educational programs were assessed to determine and prioritize a list of facility needs throughout the district.

What are the key projects in this bond proposal?

This bond proposal addresses the highest priority projects & focuses on three key areas:

- **A new Middle School** to support modern learning standards
- **Learning Environments** - Enhancing Academics, Professional Trades, Performing Arts, and Athletics to increase learning opportunities throughout the district
- **Building and Site Improvements** - Continuing to address facility issues with phase two of improvements as identified in the Facility Master Plan

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, buses, furnishings, equipment, and other capital needs. 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.

How would the bond proposal impact my property taxes?

If approved by voters, the millage rate is projected to remain the same as the current levy with **no tax rate increase** to property owners.

Why a bond proposal now?

In 2018, voters approved a \$38,150,000 million bond issue for improvements to safety and security, upgrades to educational technology, and to address the most immediate of identified facility issues. During the planning of that bond, the District wanted to address as many critical building and site issues, without raising the tax rate. The tax rate to fund those improvements did not increase the rate at that time— in fact, the debt millage rate has remained the same since 2015. The 2022 bond proposal is planned to address the remaining, currently identified issues, and would fund improvements over the next eight years with **no tax rate increase** to property owners over the current levy. While the 2018 bond took care of many critical issues, there are still core infrastructure systems that have outlived their expected life cycles. The District continues to do as much preventative maintenance as possible, to the point where systems can no longer be repaired and should be replaced. The Facility Master Plan identified specific systems that have exceeded their expected lifecycle(s) – septic systems, roofing, flooring, etc. If the bond proposal is approved, it would include replacement of the identified systems and would extend the useful life of our school buildings.

How has the school district prepared its finances in anticipation of the bond election?

Over the past 15 years, Holly Area School District has saved school district taxpayers nearly \$6 million in interest costs by refinancing its outstanding bond debt as reported by our Financial Advisor, PFM. In 2018, Munetrix, a public sector solutions provider offering data management, analytics and reporting tools for states, local governments and public school districts, named Holly Area Schools as one of 14 Michigan public school districts as most fiscally improved based on their Munetrix Score.

Our most recent refinancing of bonds in 2020 reduced the district's debt service costs by \$536,000. These proactive measures by the district have helped to provide an opportunity to propose a long-term district facility plan with a May 3, 2022 bond proposal that does not require a tax rate increase (in comparison to the district's 2021 debt millage rate). In addition, Holly Area Schools has improved the district's credit rating from an A- to an A as assigned by Standard and Poor's Financial Services.

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

While funding from this bond proposal is independent of district's general fund operating budget, the bond would likely have a positive impact on the district's general fund by allowing the district to reallocate operating funds that are currently being spent on aging facilities, mechanical systems, and technology. The operational savings generated from new and cost-efficient facilities could be redirected to student programs and resources.

What are the available regular election dates for school bond proposals in the year 2022?

School districts across Michigan have only three dates in 2022 to choose from for a school bond election: May 3rd, August 2nd, and November 8th.

How would moving the May 3, 2022 bond proposal election to August 2022 or November 2022 impact the bond project timeline with a successful bond election?

Moving the current bond election to August 2022 or November 2022 would significantly upset the timing of the proposed bond projects. As noted in the above question regarding bond project phases, this move would delay the start of construction for several projects including the construction of the new Middle School. The opening of the proposed new Middle School would be delayed up to a year, from the Fall of 2025 to the Fall of 2026, by moving the proposed election to August 2022 or November 2022.

How would moving the May 3, 2022 bond proposal election to August 2022 or November 2022 impact the proposed scope of the bond with a successful bond election?

Based on current and historic trends regarding construction costs, it would likely be more expensive to our taxpayers (assuming a successful bond election that is approved by the voters) to postpone the election to August 2022 or November 2022, as the delayed bond election would impact the bond construction timeline. The impact of delaying the bond construction timeline would likely result in increased construction costs due to inflation. This would include increased labor and material costs. As a result, the total scope of the bond would likely need to be reduced.

Further, by postponing the bond, the school district would extend the financial burden on the general fund to pay the costs of facility repairs and improvements that would be addressed by bond projects as replacements or upgrades. For example, the longer the wait, the higher chance of failure of the septic systems at Davisburg

Elementary and Rose Pioneer Elementary. The septic system at Rose Pioneer Elementary is original to the site and over 25 years old. The septic system at Davisburg Elementary is over 46 years old. These are the only two building sites in the district that operate on a sophisticated septic system. Without bonds in place from a successful election, the district expects that it will need to spend approximately \$1.5 million from the general fund to design and replace both septic systems, which would divert funds from student programs and other operating costs. The delay of putting improvements into service would extend the general fund's financial burden. These added general fund expenses are projected to exceed the cost of conducting a May 2022 bond election.

What are area schools doing for bond proposals?

Here is a list of neighboring districts in Oakland and Genesee Counties with similar size bond proposals that were approved by their voters from 2018-2021.

District	Election Date	Passed / Failed	Bond Total
Waterford School District	8/4/2020	Passed	\$150,000,000
Grand Blanc Community Schools	5/5/2020	Passed	\$86,925,000
Davison Community Schools	3/10/2020	Passed	\$71,390,000
Ferndale Public Schools	3/10/2020	Passed	\$124,800,000
Pontiac City School District	3/10/2020	Passed	\$147,000,000
Huron Valley Schools	11/5/2019	Passed	\$182,000,000
Walled Lake Consolidated Schools	5/7/2019	Passed	\$316,000,000
Lake Orion Community Schools	11/6/2018	Passed	\$160,000,000

How can voters be sure the bond funds would be spent the way they are supposed to be spent?

Michigan law requires that expenditure of bond proceeds be audited. The bond proceeds can only be spent for purposes approved by the voters. The bond 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 each series to ensure compliance.

How much money would the bond proposal generate and would the funding be issued all at once?

The proposal would generate \$97,000,000 which would be spent over seven years on district-wide school building and site improvements. The bonds are proposed to be issued in 2 series (in 2022 and 2025). This allows for years of bond repayments to occur before a new bond issue is completed.

When will the millage for this proposal first be levied?

On the July 1, 2022 property tax bill.

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

Yes, businesses and second homes (non-homestead) and primary homes (homestead) are treated the same regarding bond millage. All properties are assessed for debt millage based on their taxable value.

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 proceeds can only be spent for purposes approved by the voters. Bond revenue must be kept separate from operating funds and 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?

Every bond construction fund is required to have an independent audit, per Bulletin 7 and Public Act 451 of 1976 of the Revised School Code, effective May 12, 2014 (revised September 12, 2017.) The objective of the audit is to determine if the bond proceeds have been expended consistent with the stated purposes for which the bonds were authorized by the voters.

The audit must be performed by an independent CPA, licensed with the Michigan State Board of Accountancy, and comply with generally accepted auditing standards as adopted by the American Institute of CPAs. A bond construction fund audit report is required after construction is completed as determined by a Certificate of Substantial Completion. This report is for the entire construction period, from the sale of the bond issue or the beginning of the project (whichever is earlier) through completion, and must include all activity in the fund for that period.

With a successful bond election, what are the typical phases essential to the completion of a project?

After a successful bond election, bond projects will typically go through a (1) design phase, (2) state approval phase, (3) bidding phase, (4) site work phase, and (5) construction phase. A large project, such as the replacement of a septic system, would take several months to complete. For new construction, such as the new proposed Middle School, the design phase portion alone could take at least 12 months/1 year before moving into state approval, bidding, site work, and construction. It is important to keep in mind that the timeline for bond project site work and construction cannot disrupt the students' schedule and therefore must be coordinated with the district's calendar.

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 to 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.

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.

How do I register to vote?

Visit Michigan.gov/vote to register to vote online. It is recommended by the Secretary of State to register by mail by April 18, 2022 to participate in the May 3, 2022 election. Individuals may also register in-person at their local clerk's office through May 3, 2022, with the required documentation. For assistance in obtaining the address of your local clerk, visit Michigan.gov/vote.

Are owners of property in the school district eligible to vote if they do not reside in the school district?

Owners of property are only eligible to vote if they reside in the school district boundaries. To be eligible to register to vote you must be:

- A Michigan resident (at the time you register) and a resident of your city or township for at least 30 days (when you vote)
- A United States citizen
- At least 18 years of age (when you vote)
- Not currently serving a sentence in jail or prison

If I rent a house, can I vote?

Yes, if you rent a house you can still vote. You must be a registered voter in the city or township you are living in and live within the school district's boundaries.

How is an absentee voter ballot obtained?

Registered voters must complete and submit the application to receive their absentee voter ballot. To vote by mail, fill out the application and sign it, and then return it to your local clerk. For assistance in obtaining the address of your local clerk, visit Michigan.gov/vote. When filling out the application, if you check the box to be added to the permanent absentee voter list, you will get an application mailed to you before every election.

If you registered to vote after absentee voter ballot applications were mailed, applications may be obtained at Michigan.gov/vote. Absentee voter ballots are available starting March 19 through election day, May 3, 2022.

What are the key dates leading up to the Tuesday, May 3, 2022 election day?

- Registering to vote:
 - The last day for voters to register by mail is April 18, 2022
 - Voters may register in-person through May 3, 2022 (election day) with the required documentation

- Absentee Voting:
 - Absentee voter ballots are available from March 19 until May 3, 2022
 - Contact your local clerk with questions
- Attend a public information community forum:
 - A public forum will be held this spring. Date and time to be determined.

Where and when will the vote occur?

Tuesday, May 3, 2022 is election day, but absentee voting can occur leading up to that date. All registered voters may cast an absentee voter ballot by mail. Voters may also 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. Polls will be open from 7:00 am to 8:00 pm on Tuesday, May 3, 2022.

What year was Holly Middle School at the Sherman Campus built?

1973

Why do we need a new middle school? Is there something wrong with the current building?

The current Holly Middle School at the Sherman Campus was constructed nearly five decades ago and has not received significant renovations for almost two decades. As planned for Phase 1, the previous bond proposal in 2018 only included minimal improvements.

The current Holly Middle School has system issues (described below) that would need to be addressed in order to support the building's functionality as a school building serving a large population of middle school students.

The mechanical issues and infrastructure projects to be addressed would include the following:

- HVAC, boilers, controls, electrical systems, plumbing, and several areas of roofing. Most of these items are failing or near failing because of age.

Those mechanical/infrastructure projects would not address the learning environment issues. The current building does not serve current learning needs and educational environment.

- The classroom sizes are the smallest in the District with very little natural light.
- Classrooms do not support collaboration or project-based learning.
- The building lacks adequate lab support to provide the opportunity for Science, Art and Career Technology areas.

With minor adjustments, the current Holly Middle School site could be made suitable for office space and community programs. **We would change the building's use, but not renovate the building for student use.**

Additionally, building a new middle school would also help solve an issue with the Karl Richter Building. Moving district administration offices to the current Holly Middle School at the Sherman Campus site would allow the school district to **avoid costly repairs to the Karl Richter site, which would likely exceed \$20 million if we committed to keeping that building operational and open.**

Why does the Rose Pioneer septic system need to be redone after only 25 years?

The septic system at Rose Pioneer Elementary has an expected useful life of 25 – 30 years. This is not uncommon for this type of commercial system.

Through evaluation, we have identified with Boss Engineering that the system at Rose Pioneer is nearing end of life.

- Over the past two years, pumps and controls have been replaced.

- With this work, it has been determined that without replacement, we will likely realize a failure soon. The district is currently spending general fund revenues to support repairs to this system, which reduces money available for instruction and educational programming.

Why not build the new middle school on the Sherman Campus site instead of the Karl Richter Campus?

- Building on the Sherman Campus site would likely result in a longer construction timeline and, as a result, higher construction costs.
- The Sherman Campus is not able to accommodate both buildings (the current middle school building and a new middle school building) at the same time. Therefore, the current middle school building would have to be demolished first, leaving no building for the middle school students to attend during construction.
- It would be difficult to build a new middle school on the Sherman campus site without significant disruption to the middle school student schedule and learning environment, as well as concerns for student safety.
- It would also delay the opening of the new middle school, extending the use of the district's general fund revenues to pay costs of facility repairs and improvements.
- In addition, the Karl Richter Campus building is in worse condition and is no longer capable of serving students without addressing several mechanical failures and without bringing it up to code required for student occupancy.
- Building a new middle school at the Karl Richter Campus site would allow the district to eliminate the financial burden on the general fund from repairs and improvements that would need to be addressed at the Karl Richter Campus building. This would result in operational savings for the district.
- Building the new middle school on the Karl Richter Campus site would provide a more centralized location for our district's middle school that would allow middle school students greater access to high school courses in the future, as well as additional opportunities for shared staff between buildings.
- A new middle school at the Karl Richter Campus site would allow the district to support community programs at the Sherman Campus site and provide space to other government/civic groups without significant renovation.

Will the new middle school be designed for an enrollment increase or decrease?

Holly Area Schools' student population is projected to have relatively flat enrollment over the next five years. The student enrollment is projected to grow by approximately 2.3%.

- A third-party enrollment projection provider, Stanfred Consultants, provided the enrollment projection. Stanfred has been providing enrollment projections to educational organizations for the past 40 years. Frederick R. Ignatovich Ph.D., Professor Emeritus at Michigan State University, is the principal consultant. He has had extensive experience in demographic analyses, facilities planning, and research evaluation in education. Over the past 40 years, Dr. Ignatovich has produced over 4,800 enrollment projections for local and intermediate school districts in the State of Michigan.
- The building will be able to accommodate additional growth.
 - Our current middle school student population: 670
 - Stanfred projects 682 for the middle school student population in five years.
 - Teaching station count will be able to accommodate over 750 (not accounting for additional project spaces) based on utilization of classrooms at all times.

Questions?

If you have further questions, contact Scott Roper, Superintendent
at 248-328-3147 or scott.roper@hask12.org