

2017 Sinking Fund Millage Proposal

Executive Summary & Rationale March, 2017

In the Ann Arbor Public Schools, we are responsible for more than 3.4 million square feet in 34 school buildings and properties located in the City of Ann Arbor and surrounding townships.

We are fortunate in Ann Arbor to have a highly successful school district: our students perform at academically high levels, and our high-performing teachers, quality programs, engaged parent and community render the Ann Arbor Public Schools among the top-performing Michigan school districts, well-known across the country and around the world.

In the Ann Arbor community, as stewards of 32 school buildings, and it is our responsibility to restore and prepare them both for this generation and those generations who will follow. The current reality is that our school buildings are aging and require regular repair, renewal and restoration that is not possible within the current Michigan Public School funding model.

Sinking Fund is the millage levied in Michigan to support the repair and construction of school buildings. Sinking Fund revenue allows us to preserve critical General Fund dollars for instruction, programs, salaries the cost of which is challenging to manage. ***Under state law, sinking fund proceeds may not be used to pay teacher or administrator salaries.***

In addition to bearing responsibility for predictable repair and upkeep of our buildings, we must also be prepared to address unanticipated damage and loss. Two recent examples include the August 18, 2016 Allen flood event and building and property damage from the historic March 8, 2017 windstorm. While insurance covers most repair costs in these situations, deductibles and other costs do accrue to the AAPS from unpredictable hazards.

The AAPS has an aging infrastructure; the average age of buildings is more than 60 years. An increase to the Sinking Fund will provide a locally controlled opportunity to provide improvements to each of our 34 buildings. Sinking Fund dollars remain within the AAPS.

The planned allocation of this 2017 Sinking Fund proposal is approximately 70% for repairs, approximately 14% for expansion in a few growing areas of the city to meet the demands of new housing development within Ann Arbor, and approximately 16% to extend the 2015 Bond work that is currently in progress across the District.

The Board of Education has voted to place an increase to the AAPS Sinking Fund Millage, from 1 mill to 2.5 mills on the May 2, 2017 ballot in order to meet district facility/physical property needs in three areas:

- 1) **Repair, improve and replace infrastructure** in schools district-wide.
- 2) **Expand/construct facilities to meet increased enrollment due to housing growth** in strategic areas of Ann Arbor, as well as providing a location for A2Virtual Academy.

- 3) **Continue to address the additional 2015 Bond Advisory Committee recommendations** identified as necessary improvements in the areas of classroom environment, elementary playgrounds, auditoriums/performance facilities, and fields/athletic/outdoor learning facilities.

Aging School Buildings

The average age of AAPS school buildings is more than 60 years. Five AAPS school buildings are approaching their 100th birthdays, constructed in the 1920's: Angell, Ann Arbor Open, Bach, Burns Park, and Community. Northside and Slauson school buildings were added during the 1930's, and the majority of our schools were built during the postwar years in Ann Arbor, spanning the 1950's through the 1970's. Most recently, Westerman Preschool Center was added in 2006 and Skyline High School in 2008.

22 Elementary & K-8 Schools, comprising approximately 1,200,078 sq ft average 63 years in age.

| | | | | | | | |
|------------|------|--------|--------------|------------|------|--------|--------------|
| Abbot | 1962 | 55 yrs | 52,765 sq ft | King | 1969 | 48 yrs | 52,200 sq ft |
| Allen | 1961 | 56 yrs | 65,388 sq ft | Lakewood | 1961 | 56 yrs | 42,549 sq ft |
| Angell | 1923 | 94 yrs | 36,868 sq ft | Lawton | 1963 | 54 yrs | 59,009 sq ft |
| A2 Open | 1923 | 94 yrs | 88,513 sq ft | Logan | 1977 | 40 yrs | 59,970 sq ft |
| Bach | 1922 | 95 yrs | 47,080 sq ft | Mitchell | 1951 | 66 yrs | 55,401 sq ft |
| Bryant | 1973 | 44 yrs | 56,913 sq ft | Northside | 1939 | 78 yrs | 80,052 sq ft |
| Burns Park | 1923 | 94 yrs | 60,992 sq ft | Pattengill | 1957 | 60 yrs | 53,800 sq ft |
| Carpenter | 1953 | 64 yrs | 49,805 sq ft | Pittsfield | 1945 | 72 yrs | 41,567 sq ft |
| Dicken | 1957 | 60 yrs | 45,050 sq ft | Preschool | 2006 | 11 yrs | 22,995 sq ft |
| Eberwhite | 1950 | 67 yrs | 62,177 sq ft | Thurston | 1963 | 54 yrs | 58,470 sq ft |
| Haisley | 1954 | 63 yrs | 59,032 sq ft | Wines | 1960 | 57 yrs | 49,482 sq ft |

5 Middle Schools, comprising more than 900,000 sq ft, average 60 years.

| | | | |
|----------|------|--------|---------------|
| Clague | 1972 | 45 yrs | 159,456 sq ft |
| Forsythe | 1960 | 57 yrs | 185,156 sq ft |
| Scarlett | 1968 | 49 yrs | 162,756 sq ft |
| Slauson | 1937 | 80 yrs | 190,954 sq ft |
| Tappan | 1951 | 66 yrs | 215,942 sq ft |

5 High Schools, comprising approximately 1,309,000 sq ft, average 56 yrs*:

| | | | |
|-----------|------|--------|---------------|
| Community | 1922 | 95 yrs | 52,200 sq ft |
| Pioneer | 1956 | 61 yrs | 434,119 sq ft |
| Huron | 1969 | 48 yrs | 398,187 sq ft |
| Pathways | 1949 | 68 yrs | 37,835 sq ft |
| Skyline | 2008 | 9 yrs | 380,546 sq ft |

**without Skyline, high school buildings average 68 years*

AAPS Reality

- Over the previous decade of economic downturn in Michigan, physical repairs and improvements have been deferred in order to prioritize and preserve teaching staff, classroom supports and programs.
- As a result of the deferral of repair and replacement, many systems are beyond their useful life.
- AAPS Sinking Fund millage was last renewed in Fall 2013 for 5 years and was set at 1 mill out of a possible 5 mills allowed by law at that time.
- State law governing School Sinking Fund Millage in Michigan recently changed, effective Spring, 2017, from allowing a maximum levy of 5 mills to 3 mills and from a maximum duration of 20 years to 10 years.

Areas of Focus

1) Repair, improve and replace infrastructure

Buildings and infrastructure systems that are beyond their useful life require fundamental restoration and replacement of infrastructure systems that are currently at or beyond their useful life. We have determined that investment is required in HVAC, roofing, other repairs and updates to assure continued functionality.

The Allen flood event in August, 2016 serves as a further reminder of the potential worrisome impact of facilities failure on AAPS General Fund dollars and the District's fiscal health.

2) Expand/construct facilities to meet increased enrollment due to housing growth demands

In addition to repairs and renewal, some strategic expansion of facilities is needed, particularly at the elementary level to accommodate growth in specific areas across the City where development is currently underway.

We expect new housing development in the North, West, and South to increase enrollment in those neighborhoods.

- Expansion will likely include the addition of classrooms at a few elementary schools in these areas and one or two middle schools over the coming 3-5-7 year timeframe.
- As a transitional option, the addition of modular classrooms is recommended to accommodate anticipated Fall 2017 enrollment growth. This will allow the District to observe student enrollment and allow for an appropriate planning phase once increased enrollments are confirmed.
- Securing or building a location for A2Virtual Academy is a critical need in the District at this time.

3) Continue progress to address the additional 2015 Bond Advisory Committee recommendations

The third category of District priorities for Sinking Fund dollars includes continuation of district work prioritized by the 2015 Bond Advisory Committees. These committees are comprised of more than 60 staff and community members.

Funding received through the 2015 Bond gave us a start on some of these projects, however, the advisory committees identified other priority improvements in the following areas:

- Classroom Environment
- Auditoriums/Performance Facilities
- Elementary Playgrounds
- Athletic/Outdoor Learning Facilities

Examples of Sinking Fund Needs

1) Repair, Improve And Replace Infrastructure

| | Area | Description | Estimated Cost |
|--|----------------|--|----------------|
| HVAC Systems | Elementary | Repair systems to properly function; add air-conditioning where needed. | \$10,000,000 |
| | Middle Schools | | \$10,000,000 |
| | High Schools | | \$20,000,000 |
| Roofing | Elementary | Replace or repair roofs; repair water-damaged building areas | \$20,000,000 |
| | Middle Schools | | \$15,000,000 |
| | High Schools | | \$20,000,000 |
| Pool Facilities | District-wide | Repair and restore pools and surrounding pool area | \$10,000,000 |
| Network Infrastructure: Security, phone, data, video | District-wide | Repair and improve network fiber between buildings; connect a secondary Network Operation Center | \$15,000,000 |
| Other repairs | District-wide | Basic infrastructure repairs | \$90,000,000 |

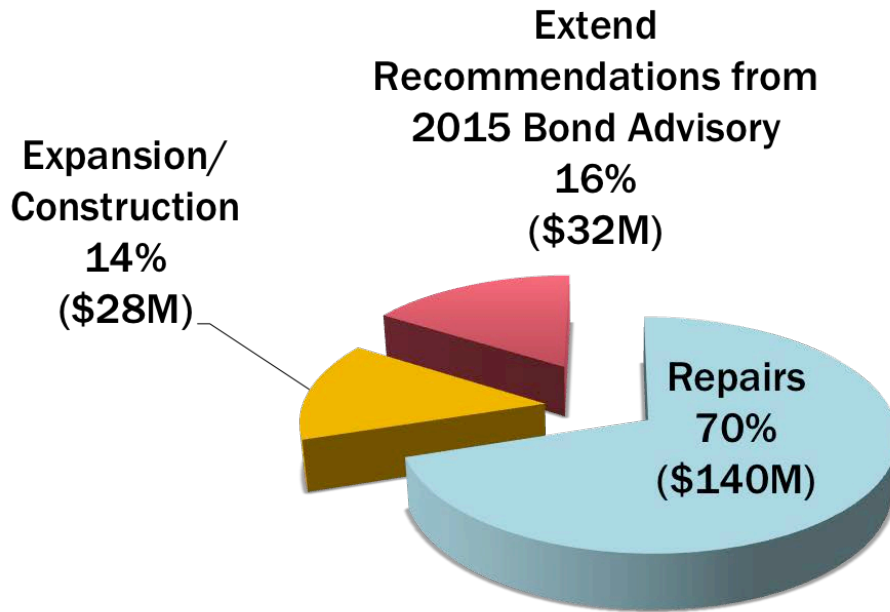
2) Expand/Construct Facilities To Meet Increased Enrollment Due To Housing Growth Demands

| Area | Description | Estimated Cost |
|------------------------------|---|----------------|
| North, south, west locations | 6-8 classroom additions – elementary & potential middle schools | \$70,000,000 |
| A2 Virtual+ Academy | Facility/location | \$10,000,000 |

3) Continue Progress To Address The Additional 2015 Bond Advisory Committee Recommendations

| Project | Area | Description | Estimated Cost |
|--------------------------------------|---------------|---|----------------|
| Auditoriums | All buildings | Safety, Lighting, Maintenance & Updates: curtains, sound system, lights, screens, shells | \$3,000,000 |
| Playgrounds | Elementary | Update and replace playground equipment in line with safety and inclusive play standards | \$6,000,000 |
| Athletic/Outdoor Learning Facilities | District-wide | <ul style="list-style-type: none"> • Replace turf fields at high schools • Repair/replace bleachers at high schools • Replace elementary school black top where needed • Install bathrooms at all middle and high school outdoor athletic areas • Incorporate universal design elements into outdoor athletic fields • Replace high school track surfaces | \$5,000,000 |

Graphical Representation of Estimated Cost Disbursement



2.5 Mills over 10 Years will generate \$200M

Board Action

Increasing and extending Sinking Fund Millage is one local 'lever' that can help protect the district against reduced or flat funding at the state and national level.

The Board of Education approved language to authorize replacement of the Sinking Fund Millage to be placed on the ballot for the May 2, 2017 election from 1 mill to 2.5 mills and to extend this millage to 10 years, beginning in 2017. This would allow for renewal and repair of school buildings, expansion of schools in the North, West, and South to accommodate housing growth in the AAPS, and to continue progress in addressing the additional 2015 Bond Advisory recommendations (classroom environment, elementary playgrounds, outdoor learning spaces, and auditorium/performance facility repairs).

Under state law, sinking fund proceeds may not be used to pay teacher or administrator salaries.

Cost to Taxpayers:

| | Estimates of Annual Cost to Taxpayer | | |
|----------|--------------------------------------|---|--|
| | Millage | A2 Median Home Value of \$300K (\$150K Taxable Value) | <i>Homeowner Calculator</i> per \$100K of Home Value (\$50K) Taxable Value |
| Current | 1 mill | \$150 | \$50 |
| Proposed | 2.5 mills | \$375 | \$125 |

- Currently, AAPS Sinking Fund Millage costs homeowners approximately \$4/month, or about \$1/week, per \$100K of home value.
- The proposed replacement would increase that amount to approximately \$10/month or \$2.40 per week.
- For a home value of \$300,000, the homeowner currently pays \$150 per year and about \$3 per week. The proposed replacement would increase these amounts to \$375 per year and about \$7.20 per week.

Approved Ballot Language

PUBLIC SCHOOLS OF THE CITY OF ANN ARBOR

PROPOSAL TO REPLACE SINKING FUND MILLAGE

This proposal would replace and extend the authority last approved by voters in 2013 and which expires with the 2019 levy for the Public Schools of the City of Ann Arbor to levy a sinking fund millage. This proposal would allow the use of proceeds of the millage for all purposes previously permitted by law as well as newly authorized security improvements.

As a replacement of existing authority, shall the Public Schools of the City of Ann Arbor, County of Washtenaw, Michigan, be authorized to levy 2.50 mills (\$2.50 per \$1,000 of taxable valuation) to create a sinking fund for the purpose of the construction or repair of school buildings, including school security improvements, and the improvement and development of sites and, to the extent permitted by law, for other purposes, including, but not limited to, the acquisition and installation of furnishings and equipment, by increasing the limitation on the amount of taxes which may be imposed on taxable property in the School District for a period of ten (10) years, being the years 2017 to 2026, inclusive? It is estimated that 2.50 mills (\$2.50 per \$1,000 of taxable valuation) would raise approximately \$20,193,874 in the first year that it is levied.

(Under state law, sinking fund proceeds may not be used to pay teacher or administrator salaries.)

YES

NO