**SINKING FUND PROPOSAL**

**Please Vote May 7, 2013!**

During the Tuesday, May 8, 2013 election, voters in the Fennville School District will be asked to approve a 0.5-mill building and site sinking fund tax levy.  The sinking fund, if approved, will create a fund for the next 10 years to provide for maintenance, improvements and repairs of school facilities. By law, the Building and Site Sinking Fund cannot be used for salaries, supplies, or equipment. If approved, it is estimated that the millage will provide approximately $170,000 in revenue in 2013-14.

**How is a sinking fund different from a bond issue?**

A sinking fund is used on a “pay as you go basis” and all monies collected are utilized to directly benefit the district. No bonds are sold and there are no interest expenses. Also, sinking funds can only be used for specific categories of expenditures as discussed below.

**What restrictions are there on sinking funds?**

Money generated through a sinking fund may only be used for the repair, development, improvement, and purchase of school facilities and property. It may not be used to purchase supplies or equipment, and may not be used to pay for salaries. While technology infrastructure may be paid for through sinking fund dollars, equipment and software may not be purchased through its proceeds.

**How would a sinking fund help Fennville Public Schools?**

Existing major repairs that are paid for out of the General Fund could be transferred to the sinking fund. It would also allow longer-term planning and funding for major repairs and renovations, while providing an alternative funding source for major facility repairs that are currently funded from the General Fund. Relieving this burden on the General Fund would allow more dollars to be directed specifically to the educational program.

**What projects are on the list to be addressed?**

Currently among the first items planned to be addressed are:

-Safety and security upgrades including improvements to building security, site lighting,

and sidewalk replacement

-Expansion of the parking lot at the lower level of the elementary

-Renovation/replacement of carpeting, lighting, lockers, and mechanicals at the nearly

40-year old high school

-Replacement of the antiquated lighting controls in the high school auditorium

Beyond currently identified needs, the sinking fund would also be available for unexpected facility needs as they occur rather than paying for these out of the General Fund. For example, shortly after the bond issue work was completed, the roof on the high school failed, requiring an expenditure of $597,000. The only option was to borrow this money and repay it with interest over time from the General Fund. The interest cost for that loan (even after refinancing) will total more than $109,000 over the life of the loan. If it had been in existence at the time of the roof’s failure, a sinking fund could have been used instead to pay for some or all of the repairs.

**Will the sinking fund be used to purchase land?**

The sinking fund will not be used for the purchase of land or other property. The district has enough land for the foreseeable future on its current site.

**I thought the 2004 bond issue took care of the district’s facility needs. Why is there a need for a sinking fund?**

The generous support of the community through the 2004 bond issue generated the funds to renovate the middle school and construct the elementary school and Community Athletic Center. These are outstanding facilities that have brought much pride and have greatly improved our district. While the high school received some upgrades during the bond issue (and through energy savings projects since then), not all of the needs identified in 2004 were able to be met during the bond.

In short, a sinking fund would enable the district to continue to maintain its facilities well and safeguard the investment made by the Fennville community through previous bond issues.

**Why was it decided to ask for 0.5 mills?**

Although authorized at 5.81 mills, the original tax levy from the 2004 bond issue was 5.46 mills. The amount has been steadily reduced since then, with the 2012 levy standing at 4.9 mills. This 0.5-mill sinking fund request would still leave a homeowner’s tax burden below what was originally authorized during the bond issue. Yet, this amount would provide desperately needed relief for the General Fund.

**How does Fennville rank in terms of taxation?**

Fennville is by far the lowest taxing district among the seven Allegan County Area ESA districts. Tax rates for debt service in 2012 were as follows:

Hopkins 8.00 mills Wayland 7.00 mills

Allegan 7.55 mills Martin 6.00 mills

Otsego 7.00 mills **FENNVILLE 4.90 mills**

Plainwell 7.00 mills

**Isn’t that rate lower than what voters originally approved in 2004?**

Yes. In June of 2004 voters approved a millage rate of 5.81 mills to fund the project that built the elementary school, Community Athletic Center, and made other improvements. Since that time the Fennville Board of Education has taken action to steadily reduce the amount of taxes paid by residents to meet bond repayment obligations. Even if the sinking fund is approved, the combined taxes would be .4-mills less than what was passed in 2004.

**Did I hear that the Board of Education refinanced that debt again this year?**

Yes. At its August 9, 2012 meeting the Board of Education approved a bond refinancing which will save taxpayers more than $1.3 million over the life of the bonds. It is estimated that due to this refinancing the Board may be able to further lower its debt service millage rate to 4.75 mills in 2013.

**How much will a sinking fund cost me?**

To find out how much a 0.5-mill sinking fund would cost, multiply your home’s taxable value by .0005. A home valued at $100,000 typically should have a taxable value of $50,000. For that home, the 0.5 mill sinking fund would cost $25 per year, or just over $2 per month.

Here are some examples:

|  |  |  |  |
| --- | --- | --- | --- |
| Home Value | Taxable Value (Usually ½ of Actual Value) | 0.5-Mill Multiplier | Sinking Fund Cost  Per Year |
| $75,000 | $37,500 | .0005 | $18.75 |
| $100,000 | $50,000 | .0005 | $25 |
| $150,000 | $75,000 | .0005 | $37.50 |

**How much will the 0.5 mill sinking fund generate for the district?**

At current property values, 0.5 mill will generate approximately $170,000 per year for the district.

**What does the language of the ballot question read?**

Shall the limitation on the amount of taxes which may be assessed against all property in Fennville Public Schools, Allegan County, Michigan, be increased by and the board of education be authorized to levy not to exceed .5 mill ($0.50 on each $1,000 of taxable valuation) for a period of 10 years, 2012 to 2021, inclusive, to create a sinking fund for the purchase of real estate for sites for, and the construction or repair of, school buildings and all other purposes authorized by law; the estimate of the revenue the school district will collect if the millage is approved and levied in 2012 is approximately $166,066?

**Where do I vote?**

At your township hall or city precinct polling place. Absentee ballots are also available.

**Please vote in this important election!**