SOUTH HAVEN PUBLIC SCHOOLS
BOND PROPOSAL - MAY 4, 2021

RAMS

FINANCIAL FACTS

The South Haven Public Schools Board of Education is asking the community to consider a school bond proposal on the May 4, 2021 election ballot. This bond proposal would allow the District to make enhancements to health and safety, core infrastructure, and educational programming with an EXPECTED TAX RATE DECREASE of 0.30 mills from the prior year's debt levy.

Q: How are public schools financed?

OPERATIONAL FUNDING

Funding for the day-to-day operations of the district is provided through state, federal and local sources. The majority of the funding is allocated through the state per pupil foundation grant. Programs and services, personnel costs, utilities, supplies and maintenance costs are financed in this category.

SCHOOL BOND PROPOSAL

A bond proposal is how a public school district asks its community for authorization to borrow money to pay for capital expenditures. With a bond, taxpayers approve a property tax levy and taxes collected are used to cover principal and interest on bond debt. The maximum levy for qualified bonds is 13 mills, while the typical term is 25-30 years. Voter-approved bond funds can be spent on new construction, additions, remodeling, site improvements, athletic facilities, playgrounds, buses, furnishings, equipment, technology, 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 expenditures must be audited by an independent auditing firm.

In 2014, South Haven voters approved a bond proposal that funded secure entries at all buildings, instructional technology, High School renovations, mechanical/electrical/plumbing systems, roofing and site improvements.

SINKING FUND

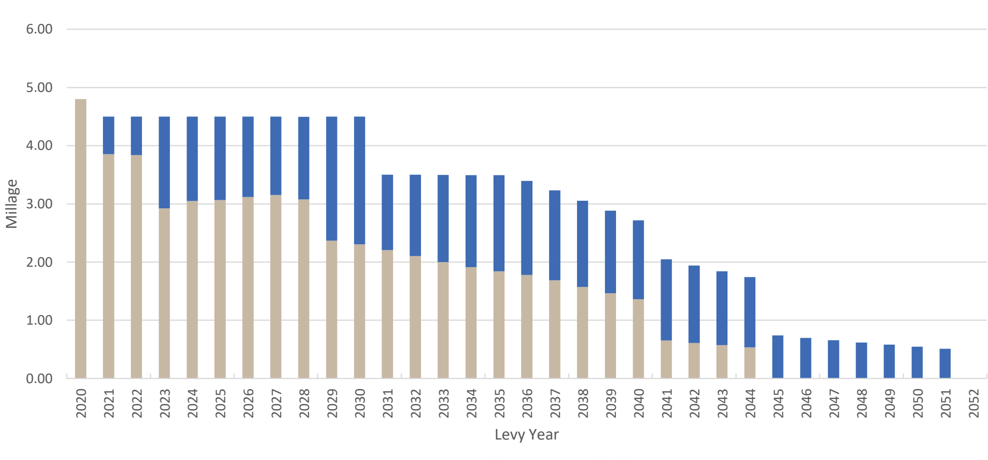
A school sinking fund is like a savings account into which a district deposits approved millage revenue. Sinking funds have limited allowable uses, including school building construction and repair, school real estate, security improvements, and technology purchases or upgrades. A sinking fund may be authorized for a maximum of 3 mills and for no more than 10 years.

MAY 4, 2021 PROPOSAL

The decision to propose a bond proposal vs. a sinking fund is because of the projects that could be completed within a reasonable period of time, while providing a 0.3 mill reduction in the overall current debt millage rate. Based on the school district's current debt and financial projections, the bond proposal provides an opportunity to generate $34,850,000 while still reducing our taxpayers' total debt millage rate from the prior year's level.

Q: How can we see a reduction in debt millage while generating $34,850,000?

South Haven Public Schools currently levies 4.8 mills for debt (this includes a projected decrease this year to 3.85 mills), as the Baseline Middle School debt drops off). If approved by voters, the proposal would add a projected 0.65 mills to this year's 3.85, totaling 4.5 mills. This would be a 0.3 mill reduction from the current 4.8 mills. The rate is projected to remain at 4.5 mills through 2030, with additional rate decreases over time as debt is reduced, extending bond debt by 7 years.



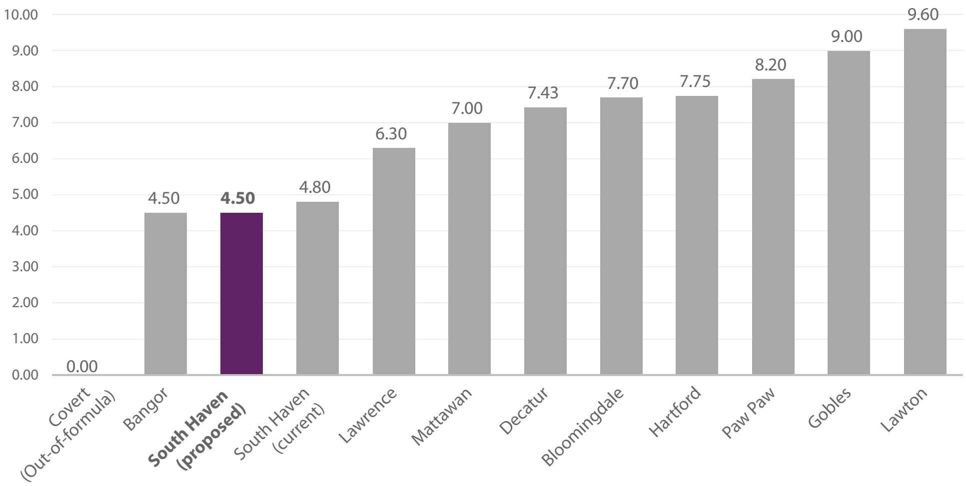
Based on use of funds on hand in the District's Debt Retirement Fund and future taxable value growth of 3.53% (the current 5 year average) for 5 years then 3.00% therefore and estimated interest rates as of early 2021

Q: What are the past, current and future debt millage rates?

The bars shaded in tan reflect current debt comprising the Maple Grove expansion (2005), Lincoln Elementary gym (2006), addition of Listiak Auditorium (2006), construction of North Shore Elementary (2006), High School renovations (2014) and educational technology (2014).

The bars shaded in blue represent the millage for the proposed May 2021 bond.

NEIGHBORING DISTRICT TAX MILLS COMPARISON



Q. How does South Haven Public Schools' millage rate compare to other area districts?
South Haven Public Schools currently levies one of the lowest debt tax rates in the area. If the proposal is approved by voters, South Haven Public Schools would still maintain one of the lowest debt tax rates in the area.

Q: How much money would the bond proposal generate?
The proposal would generate $34,850,000 which would be spent over approximately five years on district-wide capital improvements.

Q. Would the school district immediately issue $34,850,000 of bonds?
No. The bonds are proposed to be issued in two series (in 2021 and 2023).

Q: How would the bond proposal impact my property taxes?
If approved by voters, a debt tax rate decrease is expected for South Haven Public Schools property owners. The debt tax rate is expected to decrease by 0.30 mills from the prior year's levy. This tax impact is estimated to be an annual reduction of $15.00 per property taxpayer for each $100,000 market value ($50,000 in taxable value) of your home. To determine your decrease tax impact, a tax impact calculator is available on the District's website. To find your property's taxable value visit https://bsaonline.com/MunicipalDirectory?uid=380

Q. When would the millage for this proposal first be levied?
On the July 1, 2021 property tax bill.

Q. Is the bond millage rate estimated to be the same for the entire life of the bond proposal?
No. The bond millage is estimated to remain at 4.5 mills through 2030, and thereafter it is projected to decline due to bond repayment and taxable value growth.

Q: Would the approval of the bond proposal have any impact on our current operational budget?
While funding from this bond proposal is independent of the support the district receives from the State of Michigan for annual operations on a per pupil basis, the bond may have a positive impact on the annual operating budget for existing facilities. It would allow the district to reallocate operating funds that are currently being spent on aging facilities, mechanical systems, and technology. The savings generated from new and cost-efficient facilities could be redirected to student programs and resources.

Q: 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 revenue must be kept separate from operating funds and bond revenue expenditures must be audited by an independent auditing firm.

Q: How would I know the bond funds would be spent the way they are supposed to be spent?
Michigan law requires that expenditure of bond proceeds must be audited, and the proceeds 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 bond series project to ensure compliance.

Q: What is the independent audit of bond construction funds?
Every bond construction fund is required to have an independent audit, per Bulletin 7, 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 in accordance with the stated purposes for which the bonds were authorized. 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.

Q: What is the Michigan Homestead Property Tax Credit?
The Michigan Homestead Property Tax Credit is a method through which some taxpayers can receive a tax credit for an amount of their property tax that exceeds a certain percentage of their household income. This program establishes categories under which homeowners or renters are eligible for a Homestead Property Tax Credit. Please consult your tax provider to determine if you are eligible for this tax credit.