To the Ovid-Elsie Community:

This will be the last opportunity I have to address the community before the May 7th election where Ovid-Elsie Area Schools is asking voters to approve a Zero Mill Bond Extension. If approved, the current millage rate (7.8 mills) would be extended from 2035 to 2038.

Ovid-Elsie, along with several other local districts are asking voters to approve various millages and it is my hope that this information will create awareness and a better understanding for all voters.

Bridge Magazine recently wrote an article detailing Michigan funding and bonding principles, so I am including information from that as well.

> *"Many districts in states that do not fund facilities, especially in rural areas, face a double whammy: tighter finances following the Great Recession, even as the rest of the economy has recovered, combined with falling enrollment. The state cuts to education funding began long before (the recession) and districts have yet to recover from it and it has been a constant struggle to keep the district's financial troubles from touching the classroom. Districts that can't generate additional dollars through enrollment growth or local taxes can end up so deep in debt, they can't climb out.*
>
> *Once you have declining enrollment and you're losing state per-pupil dollars, you're constantly cutting programs and services, which only adds to your problems. It's very difficult to climb out of that downward spiral once you're in it.*
>
> *Michigan is one of a dozen states that doesn't provide funding to build or maintain local school facilities. For districts* (like Ovid-Elsie) *it can be a struggle to generate revenue for capital costs. Even in states that allocate education funding for capital construction the money is typically a limited pot of funds rather than a guarantee. It's rationed according to the severity of the need.*
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> *Taking on debt isn't always bad. School districts must rely on the goodwill of their voters — and investors' willingness to back construction bonds — to undertake major capital projects. The school districts get cash up front to pay for immediate needs like a new building or renovations and agree to pay back the money over a fixed period of time, usually 20 years or more. Just like a homeowner taking out a mortgage, school district debt is an investment in the future.*
>
> *The Michigan Department of Treasury's School Bond Loan Fund lends money to some districts to help structure their long-term bond payments* (and reduce the overall tax impact to community voters). *Districts are put on a strict repayment schedule for both the bonds and the state's loan. To take advantage of the fund, the state requires districts to tax residents a minimum amount toward paying off the bond* (each year)*."* *(*Bridge, 2019)

Ballot language can be very confusing, so I am including some talking points here that will hopefully create a better understanding. Additionally, please know that the ballot structure is dictated by state statute, and we don't have a lot of wiggle room in the particular things that must be included in the ballot language. The first portion of the ballot, before the "informational purposes" heading, deals with the specific bonds being authorized by the voters. It identifies the maximum amount of bonds that our district can issue:

> *"Shall Ovid-Elsie Area Schools, Clinton, Shiawassee, Saginaw and Gratiot Counties, Michigan, borrow the sum of not to exceed Six Million Two Hundred Fifteen Thousand Dollars ($6,215,000) and issue its general obligation unlimited tax bonds therefor, for the purpose of:"*

Next, the indented paragraph lists the specific limits on the purposes that the bond monies can be used. This section is what the voters are saying we can borrow to spend on the project and what the project can be.

> *"remodeling, including security measures, furnishing and refurnishing, and equipping and re-equipping school buildings and facilities; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting school storage buildings; purchasing school buses; and developing and improving athletic fields and facilities, parking areas, driveways, and sites?"*

The "informational purposes" section is the background tax information related to the bonds. The first paragraph describes the first year's levy and the average levy for these specific bonds. That first paragraph also lists the maximum number of years these specific bonds may be outstanding.

> *"The estimated millage that will be levied for the proposed bonds in 2019, under current law, is 0 mill ($0.00 on each $1,000 of taxable valuation). The maximum number of years the bonds may be outstanding, exclusive of any refunding, is twenty-four (24) years. The estimated simple average annual millage anticipated to be required to retire this bond debt is 0.44 mill ($0.44 on each $1,000 of taxable valuation)."*

The 2nd paragraph deals with the district's School Loan Revolving Fund (SLRF) participation for this specific bond issue. That is a special program that the state has established by the state constitution. The program is structured to help districts keep their millage at a lower rate. The state's SLRF lends to the district "principal" that is used to help pay debt service on the bonds referenced in the first portion of the ballot, which keeps that millage rate lower. The state charges interest on that loaned principal through the SLRF (the District draws interest on the bonds). Both that principal and that interest are different than the bond amount in the first portion of the ballot. Under the SLRF program, the district has the authority to levy its debt millage beyond the maturity of the bonds to pay back the state the amount borrowed through the SLRF.

> *"The school district expects to borrow from the State School Bond Qualification and Loan Program to pay debt service on these bonds. The estimated total principal amount*

of that borrowing is $1,315,282 and the estimated total interest to be paid thereon is $3,841,366. The estimated duration of the millage levy associated with that borrowing is 19 years and the estimated computed millage rate for such levy is 7.80 mills. The estimated computed millage rate may change based on changes in certain circumstances."

The 3rd paragraph in the "informational purposes" section is the total participation of the District in the SLRF, including both the proposed bonds and all outstanding bonds.

"The total amount of qualified bonds currently outstanding is $20,170,000. The total amount of qualified loans currently outstanding is approximately $7,394,292."

While this still may be confusing, it is important to recognize that by simply extending the bond debt three years, the District will capture all $6.2 million to use towards capital improvements. Again, this allows our current budget to stay closely tied to the classroom. Please note that the District also has opportunities to refinance, or refund bonds. Since 2005, Ovid-Elsie Area Schools has refunded bonds five (5) times to save our community an estimated cost avoidance of over $5.5 million.

Over the last several months, District officials and community members have been out presenting information to the public – dozens of meetings have taken place and informational fliers have been distributed. We have done social media blasts nearly every week to keep the public informed on the process of this campaign in order to maintain complete transparency.

During these meetings we have been asked (by some) to cut programs, raise class sizes, lay off staff, eliminate sports, or spend the District's fund balance. This is very much in contrast to what our mission and vision are for our District – we want to continue to offer the finest educational programming in our area. Your "yes" vote on May 7th will allow us to do just that!

Please get to the polls on Tuesday, May7th and vote "yes" to support Ovid-Elsie Area Schools.

Respectfully submitted,

Dr. Ryan L. Cunningham, Superintendent and Parent, Ovid-Elsie Area Schools

References: Thrun Law; Bridge Magazine

VOTE YES

TUESDAY, MAY 7, 2019