

VIP FOCUS

Advantages and disadvantages of utilizing the Michigan Department of Treasury School Bond Loan Fund

As a school district begins the process of preparing its capital needs analysis and presenting its requirements to the electorate for approval, a critical question needs to be addressed regarding whether or not to utilize the School Bond Loan Fund (SBLF). Here are some advantages and disadvantage that districts should consider:

Advantages of the School Bond Loan Fund

1. Increase in Bond Rating

Making application to and receiving qualification from the SBLF provides two key advantages to Michigan districts. The SBLF allows weaker credits to have their bonds qualified to receive payments from the state treasurer to make interest and principal payments on their bonds if for any reason the district is unable to make payments from its own resources. Based upon the state treasurer's obligation to lend the district sufficient funds to pay principal of and interest on Qualified Bonds; all three major rating agencies Moody's, Standard & Poor's and Fitch Investors Service, rate Qualified Bonds even with the state of Michigan G.O. rating. Qualified Bonds carry an Aa1 from Moody's, an AA+ from Standard & Poor's and an AA+ from Fitch. Qualification under the SBLF can dramatically increase the credit quality of bonds issued by a local district. The increase in credit quality of Aa1 and AA+ rated bonds vs. Baa, BBB or even A rated bonds will result in a much lower interest rate for districts with weaker credit ratings.

2. Ability to Borrow Funds

A second advantage of qualifying bonds through the SBLF is the ability to borrow funds from the state treasurer to make payments on its Qualified Bonds. This portion of the SBLF is designed for local districts which have a small tax base relative to their capital needs. A small district looking to build a new school might be required to levy 10 mills for its debt retirement fund. However, if approved through the

SBLF, the district would be required to levy a minimum of seven mills for debt service and borrow the additional three mills from the SBLF. As the school district's tax base grows, it will continue to levy seven mills for debt service even though only five mills are required to pay the bonds. The difference (two mills) is used to repay the SBLF, the money borrowed earlier in the cycle until the SBLF is entirely repaid.

Disadvantages of School Bond Loan Fund

The major disadvantage of a local district qualifying its bonds through SBLF is the requirement to pay prevailing wages to contractors employed on the job. In some areas of the state where most labor is union labor; this does not have an impact on costs. However, other more rural areas in the state are largely non-union and a prevailing wage requirement could have a substantial impact on its costs. The district needs to contact its architect, engineer or construction manager to obtain an estimate of the increase in cost. The district then needs to compare that estimate of the increase in construction cost caused by paying prevailing wages to contractors employed on the job.

In addition, to avoiding the increased cost of prevailing wage requirements, the district also shortens the time required to bring a millage initiative to market and maintains greater control of the process because the SBLF does not provide oversight or comment on the capital improvement plan. The district maintains complete control of the process.

Recommendation

NatCity Investments, Inc. recommends the school district ask its architects, engineers or construction manager for an estimate of the cost increase associated with the prevailing

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What's in focus...

Doing business with MASB's VIPs is good business. Your Very Important Partners help bring quality professional development and urban conference scholarships to you. This new publication will bring you valuable information on what matters to your district— from your VIPs.

Predicting student performance on high stakes tests

If your students were to take your state assessment today, how would they perform? Do students' learning gains in the classroom relate to high stakes test achievement? Will math and reading targets help students reach specific achievement levels on your state test?

In the wake of No Child Left Behind, we are all eager to improve learning and ensure that students demonstrate AYP.

In a pilot district, National School District, CA, an accountability system using data from multiple measures—including state tests, digital courseware and district assessments—to assess student progress and bridge the gap between performance in the classroom and on high stakes tests was implemented. The district enrolls 6,700 students, 100 percent of whom receive free/reduced price lunches. The student population reflects the city's diverse multiethnic community, with a minority population of over 90 percent.

The district used Pearson Digital Learning's SuccessMaker® digital courseware to support student learning and standards-based instruction in math and reading, and to assess student progress daily. In conjunction, the district used High Stakes Management™ to help meet NCLB

requirements and student proficiency goals. High Stakes Management is an implementation program that provides an explicit link between student performance on state tests and on the SuccessMaker courseware. A key benefit of High Stakes Management is that it allows districts to use SuccessMaker data to monitor student performance and determine if students are on target to reach their state-mandated goals.

No longer do districts have to wait until the end of the year to evaluate data. The software gives districts the tools to see how students are doing so decisions can be made immediately, instruction can be planned and interventions put into action to improve learning and raise achievement.

The software allows districts to set student target levels in reading and math correlated with Michigan testing. With the right data, districts can predict, manage and improve student performance on high stakes tests while promoting the genuine learning envisioned by all.

This message brought to you by Pearson Digital Learning. For more information contact Stanley Page, 630.849.6463, stan.page@pearson.com.

Modular building case study

The Challenge: Cesar Chavez Middle School students were being educated at multiple sites in Detroit. Enrollment was rapidly increasing and school officials wanted all sixth to 12th-grade students on one campus.

Alternatives Reviewed: 1. Renovate existing factory—not feasible as school officials were unable to negotiate a cost effective plan for the project. 2. Install portable classroom buildings to house all students either during renovation or until another permanent solution could be attained—not feasible due to limited space on school grounds, and in order to bring all students to the campus, too many portable buildings were required for the size of the available site. 3. Build a two-story school combining 28 modular units with site-built construction—the Innovative Modular Solution.

Solution: Discussion with school leaders identified the

desire for a permanent solution to the rising enrollment figures and multiple site situation.

The 35,400 sq. ft. school

was completed in less than six months. Students occupied the building in time for the fall semester.

Results: All Cesar Chavez Middle School and High School students are educated on one campus—educationally desirable and cost effective. Middle school students have a new two-story, permanent building and the school is a combination of modular construction to meet the immediate need of rising enrollments and site-built construction to address the need for a two-story building.

This message brought to you by Innovative Modular Solutions. For more information contact Mary Roberts, 630.305.0300, mroberts@innovativemodular.com.



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wage requirements of the SBLF. After this estimate has been obtained, the district can better ascertain if it's beneficial to sell qualified or unqualified bonds. If the decision is to proceed with an unqualified bond issue, NatCity recommends preliminary conversations be initiated with the bond rating agencies regarding a projected rating on its non-qualified bonds. This can be done at no cost and no risk to the district. The additional funds saved by the district can help fund a larger project for the school with the same amount of bonds issued.

This message brought to you by NatCity Investments, Inc. For more information contact William M. Roche, 313.237.8043, william.roche@nationalcity.com.

Taking the heat Using the earth in a whole new way

Whitmore Lake High School is on track to join the elite ranks of projects with the LEED certification—Leadership in Energy and Environmental Design. With the rising cost of heating and cooling and most districts experiencing sticker shock, Aug. 11, 2005 was a milestone date with the installation of a geothermal system—that is, using the earth itself to heat and cool the building.

According to the Loop Group, the geothermal system designer and installer, “The earth’s natural heat is collected by a series of plastic pipes. A portion of the piping system is submerged in the bottom of a pond. Another series of pipes is buried six feet below the surface where temperatures are nearly constant year round.

Fluid circulating through the pipe system absorbs heat from the earth and is then pumped into the building. The process is reversed in summer. Sounds straightforward enough, but the installation area is 500 X 600 feet, and required 250,000 feet of piping!

What are the advantages of the geothermal system? Conservation of fossil fuels and a 50 percent reduction in heating and cooling costs. Up front costs are quickly recouped.

The geothermal work at Whitmore Lake includes dozens of additional green-building strategies: low-emitting paints; carpet and adhesives; waterless urinals; reflective PVC membrane on the roof; many windows to increase natural light; motion/light sensors on all lights, toilets and sinks; local procurement; collecting rain to be used for firefighting; and recycling to the greatest degree possible. The structure itself is also a teaching tool for students.

The \$26 million, 155,000 sq. ft. high school designed by TMP Associates will be open for the fall 2006 academic year. Barton Malow served as the construction manager for the project. Additional elements of the district building program include conversion of the existing high school into a middle school, conversion of the existing middle school into an early childhood development center and renovations to the elementary school.

Two Barton Malow employees on the job site, Chris Pomey, superintendent and Arlene Samuel, project manager are LEED-accredited professionals!

This message brought to you by the Barton Malow Company. For more information contact Robert Stempien, 248.436.5882, robert.stempien@bartonmalow.com.

VIP FOCUS Member News & Happenings

Yvette Anderson Turner has joined the Aramark Education-Facilities Services team as director of business development. Yvette comes to Aramark with over 20 years work experience in education and private industry. Her diverse background includes positions in sales, marketing, technical support and strategic sourcing. While specific needs vary from district to district, there are tremendous challenges facing school board members, superintendents, educators and community leaders. Recent general trends impacting the K-12 education market show the following:

Financial Pressures

- More than one-third of states have made cuts to public school budgets.
- Increasingly tough choices being made regarding education program/faculty cut backs and school closings.

Energy Costs are Skyrocketing

- Need plans to achieve short- and long-term operational savings with limited financial resources.

Yvette Turner
518.376.9487 • 800.999.6678 ext. 2081
turner-yvette@aramark.com
www.aramarkschools.com



- Maintenance budgets are decreasing (increased square footage to be operated and maintained).
- Maintenance and operations spending as a percentage of district net current expenditure decreased to 7.4 percent in the 2002-03 school year.
- Increased backlog of deferred maintenance.
- Facility deterioration continues.
- Plans are needed to extend asset life and reduce costs.

The Aramark education team can help school boards and districts address these operating challenges and keep the focus on student performance and quality of instruction. With more than 25 years of providing comprehensive facilities services to the K-12 market, Aramark brings a track record of service excellence, delivering financial savings/efficiencies, and enhancing employee management, training and development.

New School District Project

MASB Mission Statement

To provide quality educational leadership services for all Michigan boards of education, and to advocate for student achievement and public education.

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Deborah L. Keys, CEM
517.327.5904 • dkeys@masb.org

Contact MASB

1001 Centennial Way, Suite 400
Lansing, MI 48917
800.968.4627 • www.masb.org

North Shore Elementary School • South Haven Public Schools

Creating flexibility and a collaborative learning environment were URS' design goals for South Haven Public Schools' new 60,500 sq. ft. elementary school. Completed in 2005, the cafetorium is centrally placed and is a multi-use space supporting student dining, performances, assemblies and gathering and connecting between staff and students. The media center, gymnasium, music, art and computer lab are also accessible from this area, conveying a sense of place and belonging for students.

This message brought to you by the URS Corporation. Contact Ralph Moxley, 616.574.8500, ralph-moxley@urscorp.com.



Highlighting MASB's Very Important Partners.

VIP Focus

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MASB
Michigan Association of School Boards
1001 Centennial Way, Ste. 400
Lansing, MI 48854