

The Ann Arbor Area Chamber of Commerce supports the Sinking Fund millage restoration proposed by the Ann Arbor Public Schools (AAPS). This restoration proposal is on the May 6, 2008 ballot.

Facts

The proposal by the AAPS to continue the sinking fund is the third request of its kind. Voters will recall this first appearing on the ballot in 1999 and again most recently in 2004. The Ann Arbor Area Chamber of Commerce supported the request for the sinking fund in 2004 as well as AAPS' Bond Proposal.

A sinking fund millage is a limited property tax, considered a pay-as-you-go method, for addressing building remodeling projects. State law allows a district to levy up to five mills, for no longer than 20 years. The district does not pay interest for the money used.

The law is very specific about what is considered an allowable use and what reporting and audit requirements are expected. Sinking funds may be used for purchasing, completing, remodeling or repairing facilities, or parts of or additions to those facilities; acquiring and improving sites, for school buildings, structures, athletic facilities, playgrounds, or other facilities, and technology infrastructure. Technology in this case refers to wiring or materials used for installing technology. It does not include the equipment or software. This fund may be used for repair, but not for maintenance. The proposal (as written on the 2008 ballot) would allow the district to spend sinking fund dollars on technology equipment, software, school buses, and other equipment if the law is amended to allow that use.

In 2004 the community approved a Sinking Fund of 1 mill; that authority has been rolled back slightly to .9861 mills due to the Headlee Rollback. The AAPS are asking to restore the authority back to 1 mill for the Sinking Fund, which represents a 1.4% increase compared with the rate levied presently. School districts are not allowed to use funds from a sinking fund for operating expenses such as teacher, administrator or employee salaries. Sinking Funds as with bond funds must be kept separate from operating funds.

The 2004 sinking fund has been used for the following:

- Mechanical and electrical upgrades for Ann Arbor's 21 elementary schools, 5 middle schools and 5 high schools.
- New boilers
- New classroom ventilators
- Replacing rooftop air handling units
- Replacing plumbing fixtures
- Air conditioning elementary school media centers and computer labs

If renewed, sinking fund dollars will be used to cover:

- Roof replacement
- Replacement of parking lots
- Replacing ceilings and lighting
- Replacing flooring

- Upgrading electrical systems
- Replace the current steam and rooftop heating systems
- Building security/access
- Technology Hardware and Software (if permissible by law)

For more facts and election information please visit the AAPS Millage Restoration [website](#).

Position

The Ann Arbor Area Chamber of Commerce understands the importance of quality public education. With the current Sinking Fund Millage set to expire in 2009, we believe it is reasonable for AAPS to ensure continued funding for its capital needs with advanced planning by requesting a renewal at this early date. As a result, the question is whether the proposed Sinking Fund renewal is the right plan.

A quality education system and learning environment is important to the business community, both in producing skilled workers for the future, and in enabling businesses to attract the employees of today. Through careful consideration and dialogue we believe the Ann Arbor public school system has legitimate needs in order to keep and maintain their facilities, 32 schools in all. School capital needs can be met by dedicating sufficient general/operating funds or through a bond or Sinking Fund millage. The Chamber believes that AAPS has been responsible in their use of existing Sinking Fund expenditures and that over the short term dedicating additional general/operating funds to capital needs may adversely impact instruction funding.

Members of the Chamber's Board of Directors, the Chamber's Public Policy Committee, Budget/Millage Task Force and staff devoted substantial time to review and discuss information provided by the schools. Careful consideration was given to how the proposed Sinking Fund renewal meets our guidelines set forth for tax related issues. We found the proposal to meet our guidelines in several regards.

The expenditures to be covered by this proposal are ongoing in nature, and as a result, more suitable for sinking fund than bond funding. The revenue from the Sinking Fund will be for ongoing building repairs such as roofs, floors, lighting, parking lots, ceilings and ADA improvements. The Chamber agrees with the AAPS that it is more effective and less costly to sustain a building than to do major repairs every 10 years or construct new facilities.

Careful planning is involved in the maintenance and upkeep of a school system the size and caliber of the AAPS. We believe the plan set forth by the AAPS meets facility capital needs in a financially prudent manner and keeps our school buildings in line with the high expectations found within the community.

For these reasons the Ann Arbor Area Chamber of Commerce urges your support and YES vote for the AAPS Sinking Fund millage renewal.