



Setting Your District's Debt Millage

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Why do I need to set my debt millage annually?

Wasn't the debt millage on the ballot the community approved?

- ◆ It was! However, on an Unlimited Tax ballot, the debt millage rates (first year and simple average) shown in the ballot are in the “informational purposes only” section and, therefore, are only estimates
- ◆ When voting on an Unlimited Tax proposal, the voters are being asked whether or not they are willing to pay a dedicated debt millage to repay that proposed sum of money
- ◆ Due to the fact that future Taxable Values and debt service payments are unknown at the time of the election, the millage information is only an estimate



Knowing the rules

Treasury Regulation 1.148-1(b):

- ◆ BONA FIDE DEBT SERVICE FUND means a fund, which may include proceeds of an issue, that:
 - (1) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each bond year; and
 - (2) Is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of:
 - (i) the earnings on the fund for the immediately preceding bond year; or
 - (ii) one-twelfth of the principal and interest payments on the issue for the immediately preceding bond year.

BOND YEAR means, in reference to an issue, each 1-year period that ends on the day selected by the issuer. The first and last bond years may be short periods. If no day is selected by the issuer before the earlier of the final maturity date of the issue or the date that is 5 years after the issue date, bond years end on each anniversary of the issue date and on the final maturity date.

◆ Michigan – Qualified Status

- The debt retirement fund balance for unlimited tax levy debt cannot exceed 150% of the amount required for principal and interest payments due in the next fiscal year.



What information is needed?

- ◆ Current levy year's valuation information (this information is usually available sometime in May):
 - Taxable Value
 - Industrial Facilities Tax (IFT)
 - Captured value
 - Personal Property Exemption Loss (from Form L-4050 or L4050-IC if the District is located in more than one county)
- ◆ Estimated fiscal year ending June 30th debt retirement fund balance (which should include the portion of the county(ies) previous year's tax settlement, which may not be received prior to setting a summer or split levy millage)
- ◆ Current levy year's unlimited tax debt service payments
- ◆ Any potential liabilities that may exist for the debt retirement fund
 - Tax refunds due
 - Pending large tax appeal(s)
 - Chargeback due from a previous tax year



Debt millage levy calculation:

- ◆ The debt levy is expressed in “mills”
- ◆ A mill is 1/10th of a cent
 - In millage language, the public body describes the millage in terms of how much it will levy per \$1,000 of taxable value
- ◆ Simple debt millage calculation:

$$\frac{\text{Total equivalent taxable value} / 1,000}{\text{Current levy year's net unlimited tax debt service}} = \text{Debt Millage}$$

- ◆ Not quite that simple



Things to look for when setting a debt millage:

2017 Taxable Value	\$400,000,000	<u>Debt Levy Cycle</u>	
Plus: 2017 Equivalent IFT Value	15,000,000	July	50.0%
Less: 2017 Captured Value	0	December	50.0%
Total Equivalent 2017 Taxable Value	<u>\$415,000,000</u>		<u>100.0%</u>

Allowance for delinquency: 7.00%

Personal Property Exemption Loss: \$22,500,000

	2009 SB&S	2014 Ref	2015 SB&S	TOTAL
	UTQ Bonds	UTQ Bonds	UTQ Bonds	
Voted Debt Approved Prior to 12/31/2012:	Yes	Yes	No	
2017 Mills to be levied:				
July levy	0.5200	1.6600	1.1600	3.3400
December levy	0.5200	1.6600	1.1600	3.3400
Total 2017 Mills to be Levied	<u>1.0400</u>	<u>3.3200</u>	<u>2.3200</u>	<u>6.6800</u>

Debt Fund Cash Flow:

6/30/17 - Est. Starting Levy Year Fund Bal	\$38,125	\$119,500	\$78,500	\$236,125
July levy collections	200,694	640,677	447,702	1,289,073
Tax Abatements	0	0	0	0
11/1/17 UT debt service payment	(22,250)	(275,825)	(88,625)	(386,700)
11/1 transfer agent fees	(250)	(250)	(250)	(750)
SLRF Borrowing / (Repayment)	0	0	0	0
Balance after 11/1 payment	\$216,319	\$484,102	\$437,327	\$1,137,748
PPT Exemption Loss Reimb.	23,400	74,700	0	98,100
December levy collections	200,694	640,677	447,702	1,289,073
5/1/18 UT debt service payment	(435,250)	(1,178,250)	(875,625)	(2,489,125)
5/1 transfer agent fees	(250)	(250)	(250)	(750)
SLRF Borrowing / (Repayment)	0	0	0	0
Balance after 5/1 payment	\$4,913	\$20,979	\$9,154	\$35,046
County delinquency reimbursement	30,212	96,446	67,396	194,054
Estimated Ending Levy Year Balance	\$35,125	\$117,425	\$76,550	\$229,100
Next year's debt service:	\$449,500	\$1,427,500	\$945,845	\$2,822,845
Ending balance as percentage of next year's payment	7.81%	8.23%	8.09%	8.12%
Ending balance as % of next year's payment (w/o County Reimbursement)	1.09%	1.47%	0.97%	1.24%

- ◆ When are taxes collected?
- ◆ What is the lowest tax collection percentage prior to County reimbursement of the prior 5 years?
- ◆ What is the current levy year's Personal Property Exemption Loss? Which bond issues were voter approved prior to 2013?
- ◆ Which bond issues are qualified for the Michigan School Bond Qualification and Loan Program?
- ◆ Will the debt funds likely owe any Tax Abatements?
- ◆ Does the District participate in the SBLF/SLRF loan program?
 - Borrow mode?
 - Repayment mode?
- ◆ Does the District receive Federal Subsidies for any bond issues?
 - Current FY sequestration percentage?



Winter only levy:

2017 Taxable Value	\$400,000,000			
Plus: 2017 Equivalent IFT Value	15,000,000			
Less: 2017 Captured Value	0			
Total Equivalent 2017 Taxable Value	<u>\$415,000,000</u>			
Allowance for delinquency:	7.00%			
Personal Property Exemption Loss:	\$22,500,000			
	2009 SB&S	2014 Ref	2015 SB&S	
	UTQ	UTQ	UTQ	
	Bonds	Bonds	Bonds	TOTAL
Voted Debt Approved Prior to 12/31/2012:	Yes	Yes	No	
2017 Mills to be levied:				
July levy	0.0000	0.0000	0.0000	0.0000
December levy	1.0300	3.2700	2.3100	6.6100
Total 2017 Mills to be Levied	<u>1.0300</u>	<u>3.2700</u>	<u>2.3100</u>	<u>6.6100</u>

Debt Fund Cash Flow:

6/30/17 - Fiscal Year End Balance	\$60,375	\$388,075	\$167,125	\$615,575
July levy collections	0	0	0	0
11/1/17 UT debt service payment	(22,250)	(275,825)	(88,625)	(386,700)
11/1 transfer agent fees	(250)	(250)	(250)	(750)
SLRF Borrowing / (Repayment)	0	0	0	0
Ba after 11/1 pymt - Starting Levy Yr Bal	\$37,875	\$112,000	\$78,250	\$228,125
December levy collections	397,529	1,262,057	891,545	2,551,130
Tax Abatements	0	0	0	0
PPT Exemption Loss Reimb.	23,175	73,575	0	96,750
5/1/18 UT debt service payment	(435,250)	(1,178,250)	(875,625)	(2,489,125)
5/1 transfer agent fees	(250)	(250)	(250)	(750)
SLRF Borrowing / (Repayment)	0	0	0	0
Balance after 5/1 payment	\$23,079	\$269,132	\$93,919	\$386,130
County delinquency reimbursement	29,922	94,994	67,106	192,021
Est. 6/30/18 - Fiscal Year End Balance	\$53,000	\$364,125	\$161,025	\$578,150
11/1/18 UT debt service payment	(19,250)	(245,825)	(82,518)	(347,593)
11/1 transfer agent fees	(250)	(250)	(250)	(750)
Estimated Ending Levy Year Balance	\$33,500	\$118,050	\$78,257	\$229,807
Next year's debt service:	\$449,500	\$1,427,500	\$945,845	\$2,822,845
Ending balance as percentage				
of next year's payment	7.45%	8.27%	8.27%	8.14%
Ending balance as % of next year's				
payment (w/o County Reimbursement)	0.80%	1.62%	1.18%	1.34%

◆ The levy year begins after the November 1st payment

◆ Prior year's debt levy monies

◆ Current year's debt levy monies



SBLF / SLRF loan participant millage considerations:

- ◆ Mandatory final repayment date?
- ◆ Computed millage rate, per loan agreement?
- ◆ Current computed millage rate?
- ◆ Beginning SBLF and SLRF balance?
- ◆ Estimated SBLF/ SLRF interest rate?
- ◆ 5 and 20 year Taxable Value average annual growth?

		Taxable Value		Existing UTQ Debt & Mills			SLRF Activity at 3.50%			
Levy Year	Calendar Yr. End 30-Jun	Projected Taxable Value	Proj. Growth	Persal Prop		Total	1-Jul SLRF Balance	Amount Borrowed (Repaid)	30-Jun SLRF Balance	
				UTQ Debt	Exemption Loss Reimburse	Net Existing UTQ Debt				UTQ Mills Levied
2017	2018	\$415,000,000		\$4,730,425	(\$157,500)	\$4,572,925	7.00	\$973,282	\$1,667,925	\$2,685,367
2018	2019	417,794,244	0.67%	4,614,201	(157,500)	4,456,701	7.00	2,685,367	1,532,141	4,321,442
2019	2020	420,607,302	0.67%	4,500,833	(157,500)	4,343,333	7.00	4,321,442	1,399,081	5,881,558
2020	2021	423,439,301	0.67%	4,390,250	(157,500)	4,232,750	7.00	5,881,558	1,268,674	7,365,696
2021	2022	426,290,368	0.67%	4,282,383	(157,500)	4,124,883	7.00	7,365,696	1,140,851	8,773,767
2022	2023	429,160,632	0.67%	4,177,168	(157,500)	4,019,668	7.00	8,773,767	1,015,543	10,105,611
2023	2024	438,348,647	2.14%	4,074,537	(157,500)	3,917,037	7.00	10,105,611	848,596	11,316,648
2024	2025	447,733,370	2.14%	2,474,428	(157,500)	2,316,928	7.00	11,316,648	(817,206)	10,895,007
2025	2026	457,319,014	2.14%	2,413,632	(157,500)	2,256,132	7.00	10,895,007	(945,101)	10,329,809
2026	2027	467,109,879	2.14%	2,354,331	(157,500)	2,196,831	7.00	10,329,809	(1,072,939)	9,616,034
2027	2028	477,110,359	2.14%	2,296,486	(157,500)	2,138,986	7.00	9,616,034	(1,200,787)	8,748,415
2028	2029	487,324,942	2.14%	2,240,063	(157,500)	2,082,563	7.00	8,748,415	(1,328,712)	7,721,432
2029	2030	497,758,212	2.14%	2,185,025	(157,500)	2,027,525	7.00	7,721,432	(1,456,782)	6,529,301
2030	2031	508,414,851	2.14%	2,131,341	(157,500)	1,973,841	7.00	6,529,301	(1,585,063)	5,165,969
2031	2032	519,299,640	2.14%	2,078,975	(157,500)	1,921,475	7.00	5,165,969	(1,713,623)	3,625,099
2032	2033	530,417,465	2.14%	-	(151,850)	(151,850)	6.75	3,625,099	(3,731,571)	0
2033	2034	541,773,315	2.14%	-	0	0	0.00	0	0	0
				<u>\$48,944,076</u>	<u>(\$2,514,350)</u>	<u>\$46,429,726</u>			<u>(\$4,978,971)</u>	
							SLRF Interest:	\$4,005,688		

Levy Year	5 Year Value	Exemption	Total	Change
2017	\$400,000,000	\$20,000,000	\$420,000,000	1.12%
2016	395,500,000	19,850,000	415,350,000	1.13%
2015	410,700,000		410,700,000	1.58%
2014	404,300,000		404,300,000	-0.35%
2013	405,700,000		405,700,000	-0.12%
2012	406,200,000		406,200,000	-4.42%
2011	425,000,000		425,000,000	0.28%
2010	423,800,000		423,800,000	-6.28%
2009	452,200,000		452,200,000	3.53%
2008	436,800,000		436,800,000	2.87%
2007	424,600,000		424,600,000	7.06%
2006	396,600,000		396,600,000	1.72%
2005	389,900,000		389,900,000	6.97%
2004	364,500,000		364,500,000	1.96%
2003	357,500,000		357,500,000	3.71%
2002	344,700,000		344,700,000	1.95%
2001	338,100,000		338,100,000	4.77%
2000	322,700,000		322,700,000	2.22%
1999	315,700,000		315,700,000	4.02%
1998	303,500,000		303,500,000	9.09%
1997	278,200,000		278,200,000	

5 Year Average: 0.67%
20 Year Average: 2.14%



In summary

- Although the annual debt millage calculation might seem simple, many considerations must be accounted for when determining a District's debt millage
- When annually establishing a debt millage, it presents a good opportunity to identify possible refunding opportunities and future new money "windows" (i.e. when debt service drops materially in the future as compared to the previous year's debt service payment creating a millage decrease)

		Taxable Value		Existing UTQ Debt & Mills			
		Projected		Persal Prop		Total	
Levy	Fiscal Yr. End	Taxable Value	Proj. Growth	UTQ Debt	Exemption Loss Reimburse	Net Existing UTQ Debt	UTQ Mills Levied
2017	2018	\$415,000,000		\$2,980,425	(\$153,279)	\$2,827,146	6.81
2018	2019	420,187,500	1.25%	2,965,523	(150,725)	2,814,797	6.70
2019	2020	425,439,844	1.25%	2,950,695	(148,213)	2,802,482	6.59
2020	2021	430,757,842	1.25%	2,935,942	(145,742)	2,790,200	6.48
2021	2022	436,142,315	1.25%	1,421,262	(69,724)	1,351,538	3.10
2022	2023	441,594,094	1.25%	1,414,156	(68,560)	1,345,595	3.05
2023	2024	447,114,020	1.25%	1,407,085	(67,416)	1,339,669	3.00
2024	2025	452,702,945	1.25%	1,400,050	(66,290)	1,333,760	2.95
2025	2026	458,361,732	1.25%	1,393,049	(65,182)	1,327,867	2.90
2026	2027	464,091,254	1.25%	1,386,084	(64,093)	1,321,991	2.85
2027	2028	469,892,394	1.25%	1,379,154	(63,021)	1,316,133	2.80
2028	2029	475,766,049	1.25%	1,372,258	(61,966)	1,310,291	2.75
2029	2030	481,713,125	1.25%	1,365,397	(60,929)	1,304,467	2.71
2030	2031	487,734,539	1.25%	1,358,570	(59,909)	1,298,660	2.66
2031	2032	493,831,221	1.25%	1,351,777	(58,906)	1,292,871	2.62
2032	2033	500,004,111	1.25%	-	0	0	0.00
2033	2034	506,254,162	1.25%	-	0	0	0.00
				\$27,081,425	(\$1,303,957)	\$25,777,469	



- Contact your municipal financial advisor for help in setting the District's debt millage

Questions?

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