

ANN ARBOR PUBLIC SCHOOLS
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ANN ARBOR PUBLIC SCHOOLS

Phase 2 Capital Plan Adjustments

February 25, 2026

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Agenda

- Background
- Inflation Impacts
- Cash Flow
- General Fund Impacts
- Next Steps

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Background

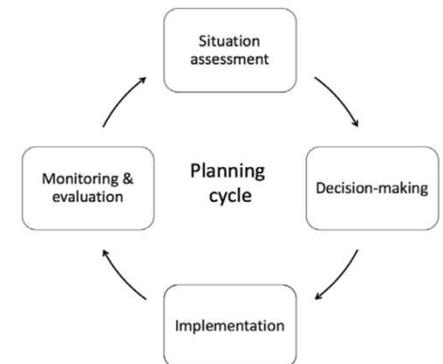
Background

Responsive Planning



Maintaining consistent reviews and evaluations of the Capital Programs roadmap:

- Continues to offer high impact solutions for our school communities
- Factors new, emerging data and aligns with present realities
- Allows for transparency in the decision making process
- Creates a responsible framework for stewardship of resources and implementation
- Annual Reports and Project Updates are provided between road map pivots.



Bond and Sinking Fund

What is the Difference?

Sinking Fund is a millage levied in Michigan dedicated to support the repair and construction of school buildings. The Sinking Fund is a pay-as-you-go method for building repairs and projects. The District does not pay interest on the money issued. The Sinking Fund renewal is approved by the taxpayers by a simple majority at an election. The current Sinking Fund expires at the end of 2026.

Bonds are voted on and required to be approved by the taxpayers by simple majority at an election. The taxpayers approve an amount to be borrowed, not the millage. After the taxpayers approve the Bond proposal, the District can proceed to issue the bonds which are then sold. The District collects the funds from the sale of the bonds and uses these funds for all the Capital Improvements. The District will levy a debt millage to its taxpayers and collect the taxes to pay back the bondholders, plus interest.

- Bond was approved in 2019
- Current Sinking Fund was approved in 2017 and expires at the end of 2026.
- **The Capital Improvement Plan incorporates the renewal of the Sinking Fund millage in 2026 and 2036.**

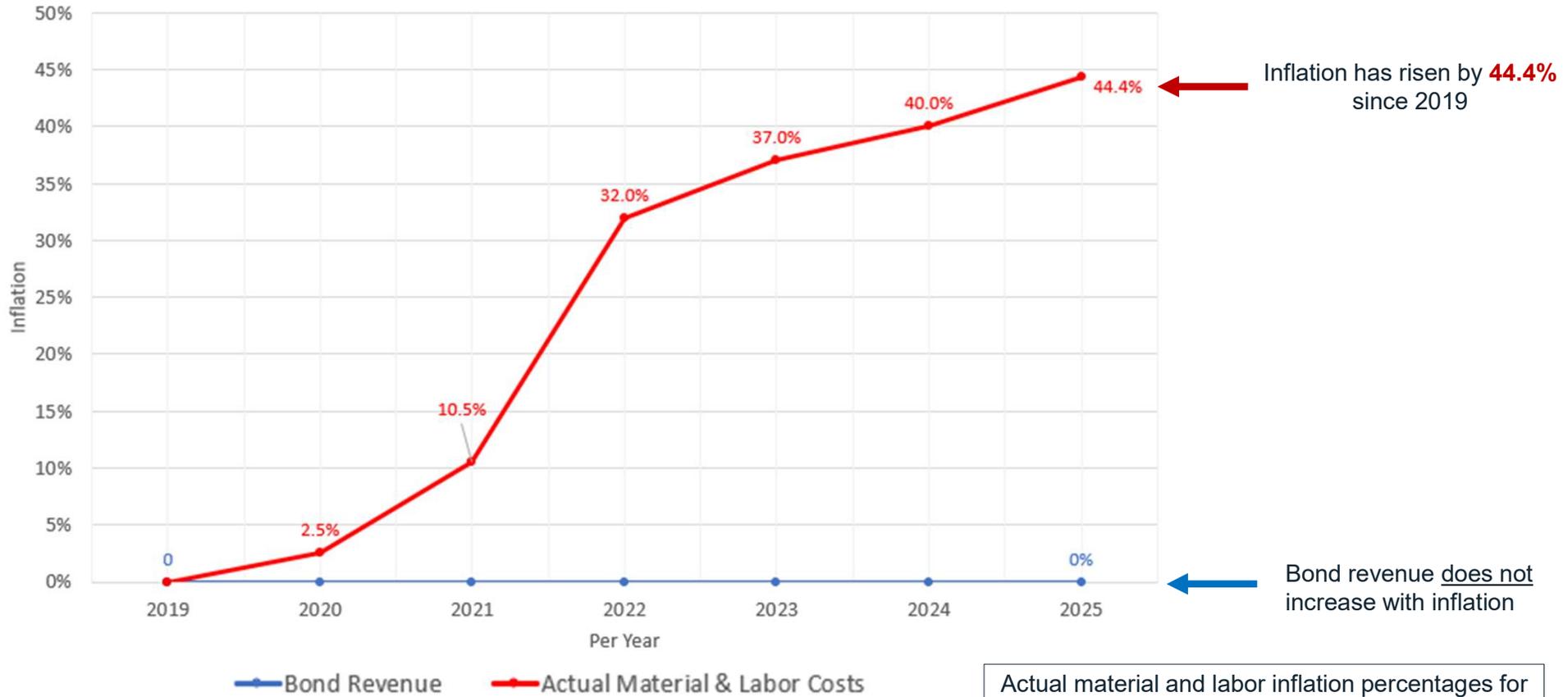
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Inflation Impacts

Material & Labor Cost Increases

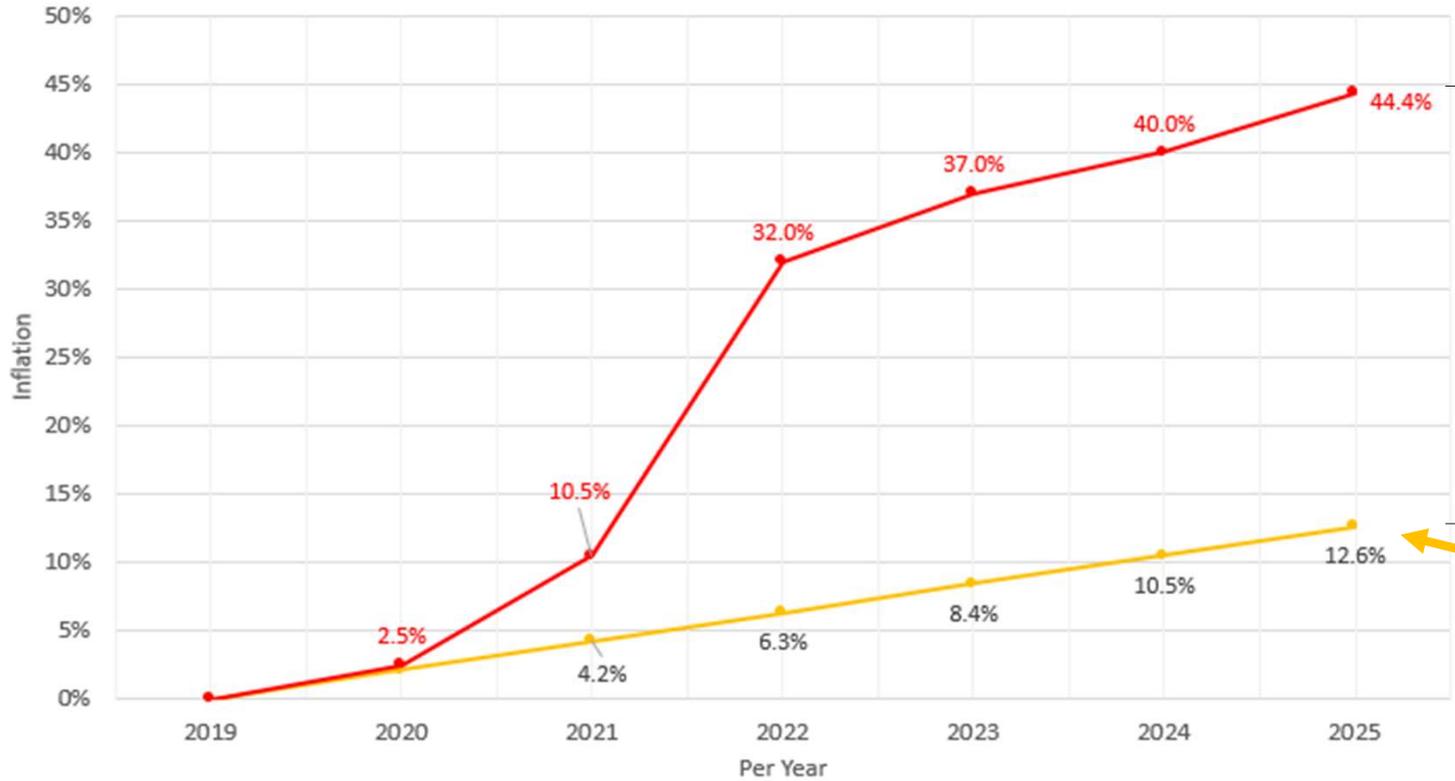
Michigan – 2019 to 2025



Actual material and labor inflation percentages for Michigan provided by SEMCOG – Southeast Michigan Council of Governments.

2019 Projected Inflation vs Actual Inflation

Michigan - Cumulative 2019 - 2025



Actual sinking fund revenue and material and labor costs in Michigan are approximately **32% higher** than projected in 2019

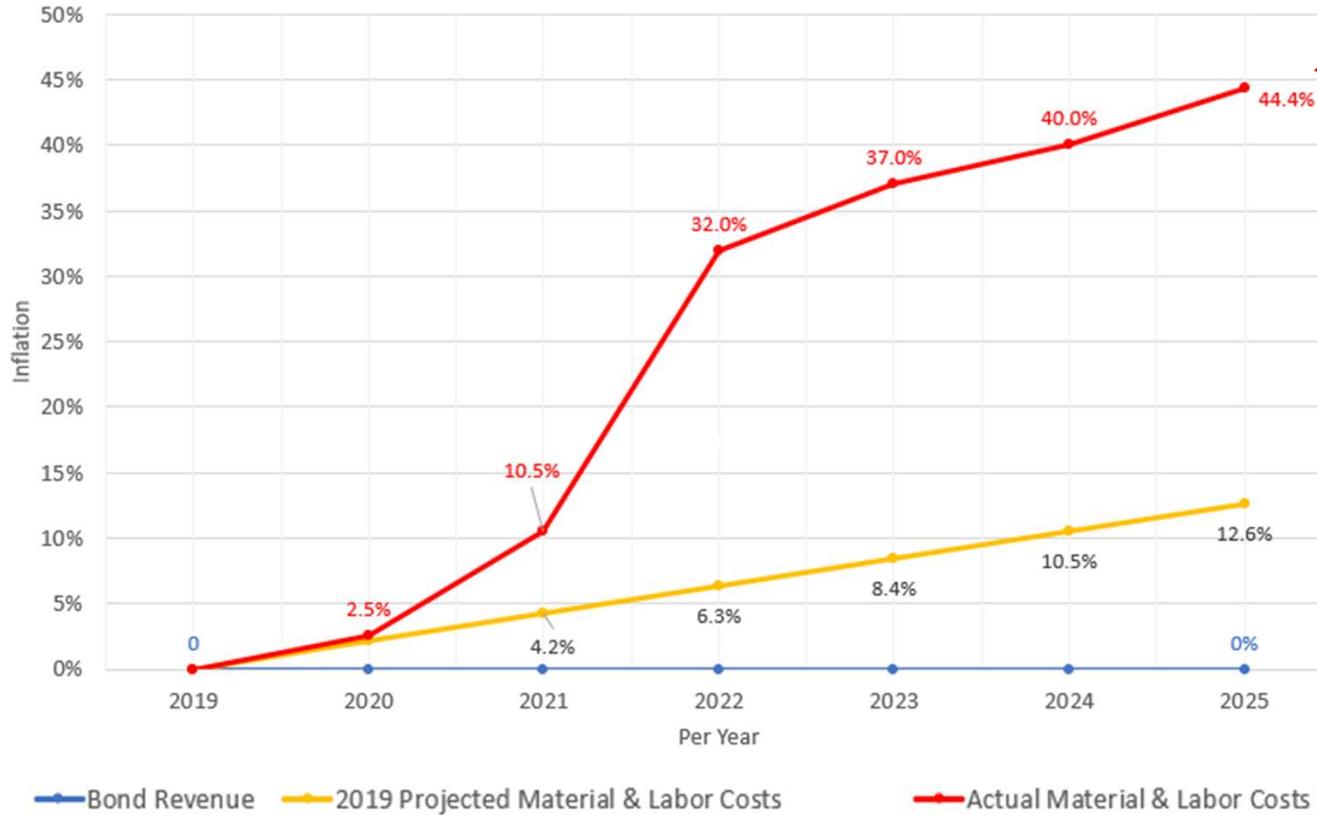
2.1% increase in inflation per year was projected per 2019 bond campaign.

— 2019 Projected Material & Labor Costs Inflation — Actual Material & Labor Cost

Actual material and labor inflation percentages for Michigan provided by SEMCOG.

Impact of High Inflation

Michigan - Cumulative 2019 - 2025



Inflation has risen by **44.4%** since 2019

Actual material and labor costs in Michigan are approximately **32% higher** than projected in 2019

2.1% increase in inflation per year was projected per 2019 bond campaign.

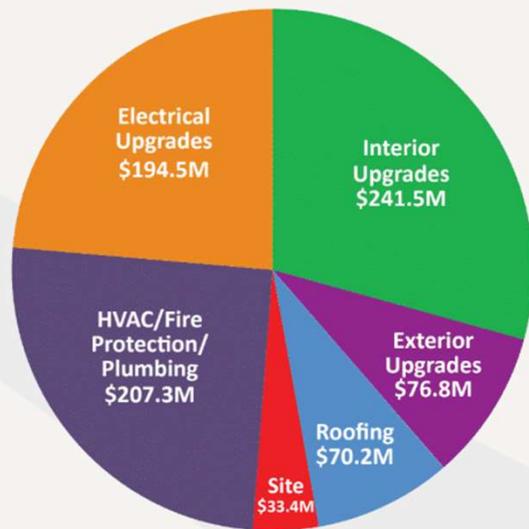
Bond revenue does not increase with inflation

Actual material and labor inflation percentages for Michigan provided by SEMCOG.

Inflation Impact

Facility Condition Assessment Recommendations - 2019 Bond Campaign

20 YEAR FCA INVESTMENT RECOMMENDATIONS \$823,780,000

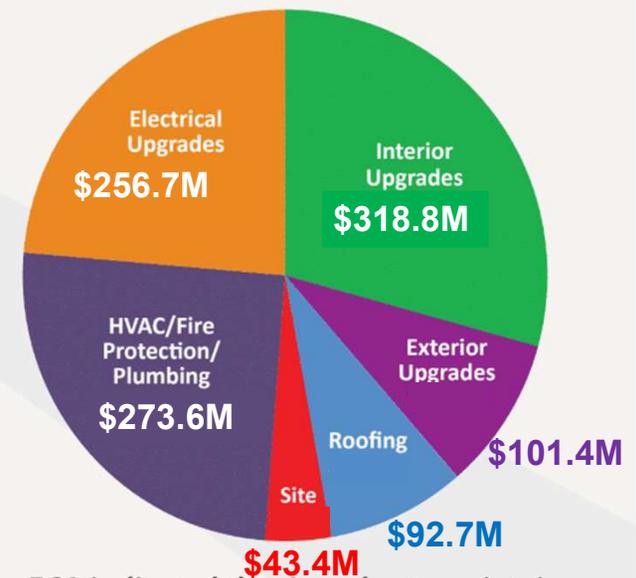


The FCA indicated that in order to maintain AAPS schools in the good condition category, a 20-year investment of more than \$823 million

Inflation has increased costs by approximately 45% from 2019.

Inflation costs have increased Facility Condition Assessment investment gap of **32%** higher than projected.

Actual Costs \$1,087,389,600

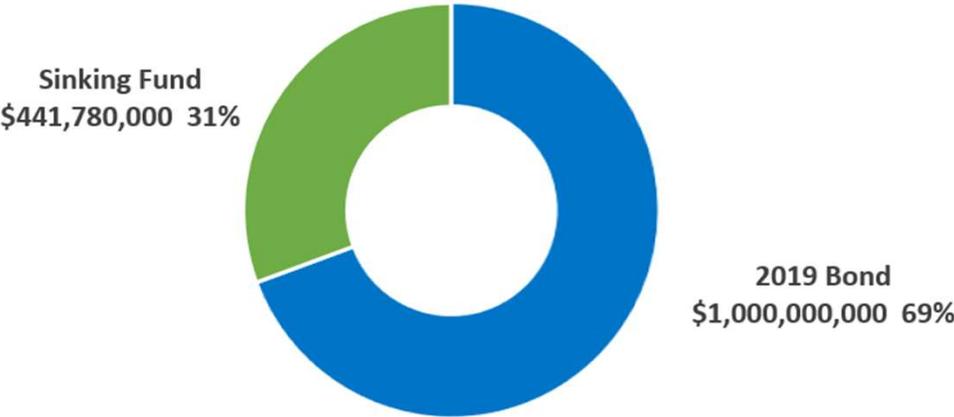


The FCA indicated that in order to maintain AAPS schools in the good condition category, a 20-year investment of more than \$823 million

Inflation Impact on Sinking Fund Revenue

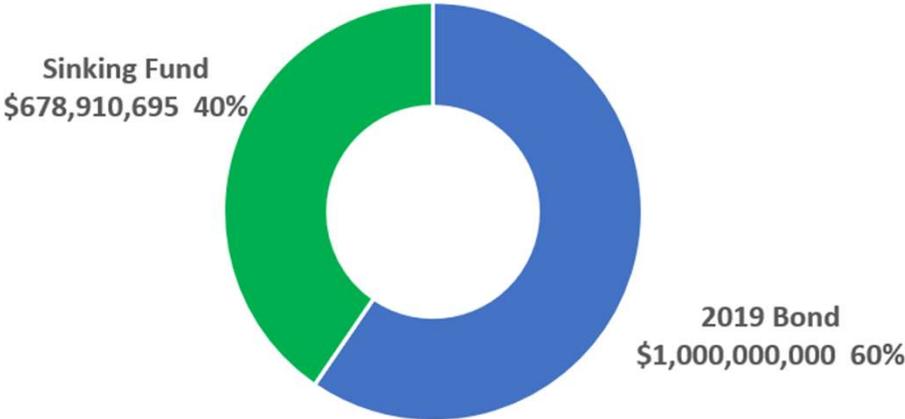
Projected Capital Program Revenue

2019 Bond Campaign Funding Source



2019 Bond Campaign projected \$1.4 Billion in Bond & Sinking Fund Revenue (This includes renewals in 2026 & 2036)

Capital Program Funding Sources - November 2022

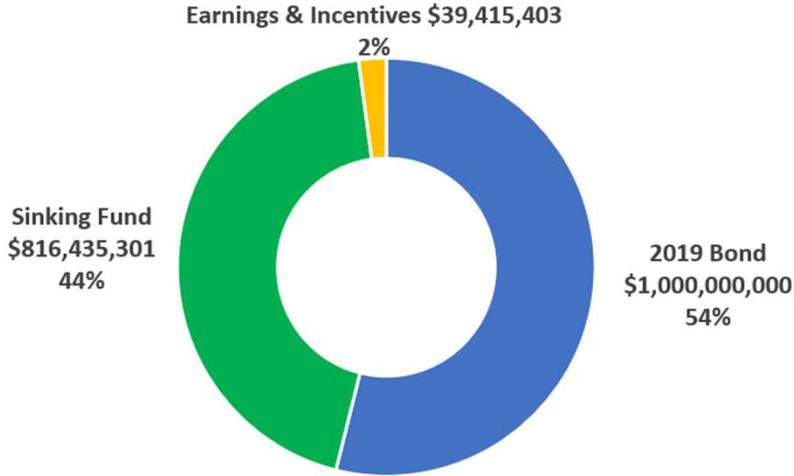


Approval of Phase 2 Plan in November 2022 projected \$1.65 Billion in Bond & Sinking Fund Revenue (This includes renewals in 2026 & 2036)

Inflation Impact on Sinking Fund Revenue

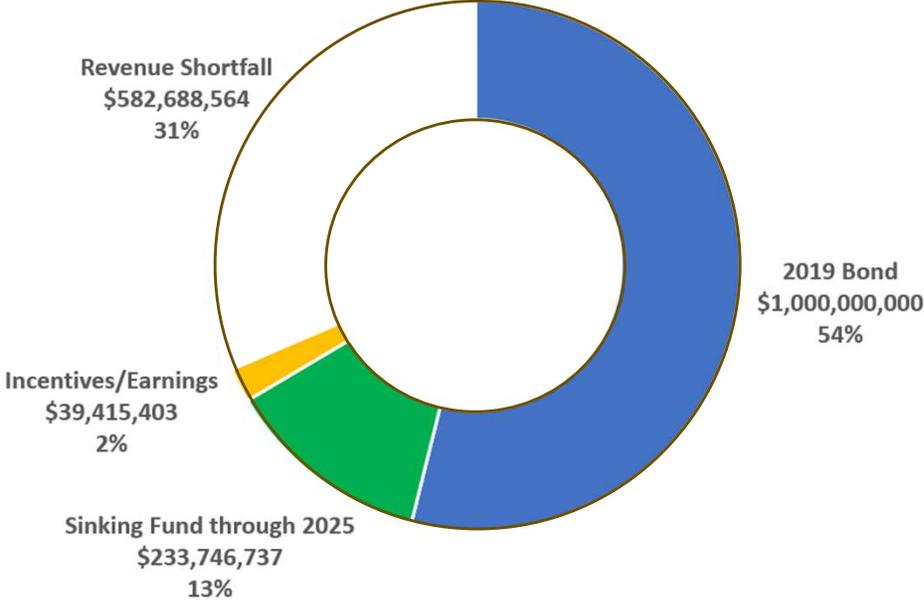
Projected Capital Program Revenue

Capital Program Funding Sources - September 2025



September 2025 projected \$1.85 Billion in combined Bond, Sinking Fund Revenue, & Incentives (This includes renewals in 2026 & 2036)

Capital Program Funding Sources with No Sinking Fund Renewals



If there were No Sinking Fund Renewals in 2026 or 2036, it would create a project **shortfall of \$583 Million**, with no revisions to the existing Phase 2 Plan.

Triple Constraints

Project Management

*When Costs Increase
(Inflation)*

Time and Scope are Impacted



*When Revenue Decreases
(No Sinking Fund renewal)*

Time and Scope are Impacted

**When one or more of the constraints changes,
there is a need to re-balance to deliver quality projects**

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Cash Flow

Capital Program Revenue Sources

Sinking Fund Renewals in 2026 & 2036 are an essential part of 2019 Bond Plan

Option 3 Bond of \$1B with Sinking Fund and Sinking Fund Renewals

Tax Year	Fiscal Year	Taxable Value	Growth Rate	Mills Levied	Estimated Annual Revenue Sinking Fund	November 2019 Election Estimated Collection Bond Fund	Mills Levied	Available Funds Per Year Sinking and Bond Funds
1 years	2019 2020	\$ 9,277,895,377	4.50%	2.46	\$ 22,823,623	\$ 130,000,000	4.22	\$ 152,823,623
2 years	2020 2021	\$ 9,509,842,761	2.50%	2.42	\$ 23,013,819		4.22	\$ 23,013,819
3 years	2021 2022	\$ 9,747,588,830	2.50%	2.42	\$ 23,589,165		4.22	\$ 23,589,165
4 years	2022 2023	\$ 9,991,278,551	2.50%	2.42	\$ 24,178,894	\$ 145,000,000	4.22	\$ 169,178,894
5 years	2023 2024	\$ 10,241,060,515	2.50%	2.42	\$ 24,783,366		4.22	\$ 24,783,366
6 years	2024 2025	\$ 10,497,087,028	2.50%	2.42	\$ 25,402,951		4.22	\$ 25,402,951
7 years	2025 2026	\$ 10,759,514,204	2.50%	2.42	\$ 26,038,024	\$ 250,000,000	4.22	\$ 276,038,024
8 years	2026 2027	\$ 11,028,502,059	2.50%	2.42	\$ 26,688,975		4.22	\$ 26,688,975
9 years	2027 2028	\$ 11,304,214,610	2.50%	2.42	\$ 27,356,199		4.22	\$ 27,356,199
10 years	2028 2029	\$ 11,586,819,975	2.50%	2.50	\$ 28,967,050		4.22	\$ 28,967,050
11 years	2029 2030	\$ 11,876,490,475	2.50%	2.50	\$ 29,691,226	\$ 475,000,000	4.22	\$ 504,691,226
12 years	2030 2031	\$ 12,173,402,737	2.50%	2.50	\$ 30,433,507		4.22	\$ 30,433,507
13 years	2031 2032	\$ 12,477,737,805	2.50%	2.50	\$ 31,194,345		4.22	\$ 31,194,345
14 years	2032 2033	\$ 12,789,681,250	2.50%	2.50	\$ 31,974,203		4.22	\$ 31,974,203
15 years	2033 2034	\$ 13,109,423,281	2.50%	2.50	\$ 32,773,558		4.22	\$ 32,773,558
16 years	2034 2035	\$ 13,437,158,863	2.50%	2.50	\$ 33,592,897		4.22	\$ 33,592,897
17 years	2035 2036	\$ 13,773,087,835	2.50%	2.50	\$ 34,432,720		4.22	\$ 34,432,720
18 years	2036 2037	\$ 14,117,415,031	2.50%	2.50	\$ 35,293,538		4.22	\$ 35,293,538
19 years	2037 2038	\$ 14,470,350,407	2.50%	2.50	\$ 36,175,876		4.22	\$ 36,175,876
20 years	2038 2039	\$ 14,832,109,167	2.50%	2.50	\$ 37,080,273		4.22	\$ 37,080,273
TOTAL ESTIMATED COLLECTIONS					\$ 585,484,209	\$ 1,000,000,000	\$	1,585,484,209

Cash Flow

November 2022 Phase 2 Plan
With Sinking Fund Renewals

In November 2022:

- Phase 2 Plan as approved in November 2022.
- The Sinking Fund revenue in 2022 was indicating a downward trend.
- Construction costs were anticipated to follow this trend.
- The 2021 SEMCOG data was following parallel with Sinking Fund trends when the November 2022 budget was projected.

SEMCOG – Southeast Michigan Council of Governments

Phase 2 Plan - November 2022				
	2022	2022	2022	2022
	Bond Revenue	Sinking Fund Revenue	Projected Costs	Cash Flow
2019		\$23,029,098	\$23,029,098	\$0
2020	\$151,800,518	\$23,195,821	\$14,000,000	\$160,996,339
2021		\$25,691,546	\$65,947,318	\$120,740,567
2022	\$20,000,000	\$25,348,452	\$112,576,132	\$53,512,887
2023	\$300,000,000	\$25,982,164	\$194,729,089	\$184,765,962
2024		\$26,631,718	\$196,727,635	\$14,670,045
2025	\$350,000,000	\$27,297,511	\$118,764,476	\$273,203,080
2026		\$27,979,949	\$136,250,886	\$164,932,142
2027		\$28,679,447	\$144,918,151	\$48,693,439
2028	\$178,199,482	\$29,396,433	\$99,106,407	\$157,182,947
2029		\$30,131,344	\$105,207,547	\$82,106,744
2030		\$30,884,628	\$93,956,338	\$19,035,034
2031		\$31,656,744	\$50,640,706	\$51,072
2032		\$32,448,162	\$32,357,154	\$142,080
2033		\$33,259,366	\$30,706,068	\$2,695,378
2034		\$34,090,850	\$34,978,490	\$1,807,739
2035		\$34,943,122	\$36,611,963	\$138,897
2036		\$35,816,700	\$34,663,696	\$1,291,901
2037		\$36,712,117	\$35,854,639	\$2,149,379
2038		\$37,629,920	\$38,178,783	\$1,600,516
2039		\$38,570,668	\$39,200,282	\$970,902
2040		\$39,534,935	\$40,505,837	\$0
TOTALS	\$1,000,000,000	\$678,910,695	\$1,678,910,695	
			Total Projected Revenue	\$1,678,910,695
			Total Projected Cost	\$1,678,910,695
			Within Revenue Budget	(\$0)
			14% increase in material & labor cost since 2019	

Cash Flow

Cash Flow – Current Phase 2 Plan
With Sinking Fund Renewals

Currently:

- Material / labor costs are exceeding projections.
- Bond revenue is stagnant and does not increase with inflation.
- The combined Bond & Sinking Fund revenue is not keeping pace with material / labor costs.
- The rising costs impact cash flow and current project implementation plan.
- Negative cash flow could occur as early as 2028 unless adjustments are made.

Cash Flow

With Adjustments to Phase 2 Plan
Renewal of Sinking Fund in 2026 & 2036

Adjustments to Phase 2 Plan - September 2025							
	2025	2025	2025	2025	2025	2025	2025
	Bond Revenue	Sinking Fund Revenue	Future 2026 Sinking Fund Revenue	Future 2036 Sinking Fund Revenue	Earnings	Projected Costs	Cash Flow
2019 - 2025	\$510,120,000	\$172,746,737			\$39,415,403	\$368,046,571	\$354,235,569
2025		\$11,000,000				\$75,981,541	\$289,254,028
2026		\$28,500,000				\$240,754,016	\$77,000,012
2027	\$175,000,000		\$29,355,000			\$196,862,013	\$84,492,999
2028			\$30,235,650			\$114,269,888	\$458,761
2029	\$125,000,000		\$31,142,720			\$85,766,853	\$70,834,628
2030			\$32,077,001			\$89,789,348	\$13,122,281
2031	\$100,000,000		\$33,039,311			\$70,078,712	\$76,082,880
2032			\$34,030,490			\$74,753,611	\$35,359,759
2033	\$89,880,000		\$35,051,405			\$43,977,649	\$116,313,515
2034			\$36,102,947			\$35,527,134	\$116,889,329
2035			\$37,186,036			\$20,504,753	\$133,570,611
2036			\$38,301,617			\$46,395,526	\$125,476,702
2037				\$39,450,665		\$36,499,233	\$128,428,134
2038				\$40,634,185		\$128,016,814	\$41,045,505
2039				\$41,853,210		\$76,146,516	\$6,752,200
2040				\$42,271,743		\$24,767,341	\$24,256,601
2041				\$42,694,460		\$48,898,102	\$18,052,959
2042				\$43,121,405		\$43,000,000	\$18,174,364
2043				\$44,102,696		\$44,668,478	\$17,608,582
TOTALS	\$1,000,000,000	\$212,246,737	\$336,522,177	\$294,128,364	\$39,415,403	\$1,864,704,099	
	Total Projected Revenue		\$1,882,312,681				
	Total Projected Cost		\$1,864,704,099				

With adjustments to the Phase 2 Plan and the renewal of the Sinking Fund in 2026 and 2036, the District can respond to construction costs.

- No new construction starts in 2026.
- Re-evaluate factors which impact timeline, scope, and cost.
- Assumptions include:
 - Slower implementation pace
 - Incorporate current data into plans
 - Reduce reliance on staging
 - Focus on future ready schools
 - Continued commitment to sustainability

Cash Flow

With No Sinking Fund Renewals in 2026 & 2036

No Sinking Fund Renewals

	2025	2025	2025	2025	2025	2025	2025
	Bond Revenue	Sinking Fund Revenue	Future 2026 Sinking Fund Revenue	Future 2036 Sinking Fund Revenue	Earnings	Projected Costs	Cash Flow
2019 - 2025	\$510,120,000	\$172,746,737			\$39,415,403	\$368,046,571	\$354,235,569
2025		\$11,000,000				\$46,138,367	\$319,097,202
2026	\$150,000,000	\$28,500,000				\$230,699,986	\$266,897,216
2027						\$196,904,060	\$69,993,156
2028	\$100,000,000					\$91,029,163	\$78,963,993
2029						\$29,873,333	\$49,090,660
2030	\$114,880,000					\$25,384,206	\$138,586,454
2031						\$27,281,025	\$111,305,429
2032						\$34,468,936	\$76,836,493
2033	\$125,000,000					\$20,591,173	\$181,245,320
2034						\$29,787,022	\$151,458,298
2035						\$12,436,088	\$139,022,210
2036						\$23,123,985	\$115,898,225
2037						\$22,768,463	\$93,129,762
2038						\$24,024,242	\$69,105,520
2039						\$10,904,072	\$58,201,448
2040						\$16,765,755	\$41,435,693
2041						\$8,898,102	\$32,537,591
2042						\$23,000,000	\$9,537,591
2043						\$5,115,106	\$4,422,485
TOTALS	\$1,000,000,000	\$212,246,737	\$0	\$0	\$39,415,403	\$1,247,239,655	
	Total Projected Revenue		\$1,251,662,140				
	Total Projected Cost		\$1,247,239,655				

No sinking fund renewals in 2026 and 2036 would result in focusing on Facility Condition Assessment (FCA) needs.

- No future new schools
- No future major modernizations or renovations
- Bond would need to be used for Critical Needs, where allowed.

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General Fund Impacts

General Fund Impacts

With no Sinking Fund renewals in 2026 or 2036

Since 2017, the **Sinking Fund** has been instrumental in funding some of the most critical repairs and capital improvements in areas such as: *roofing, plumbing, heating & cooling, pavement, & playground repairs.*

This represents \$6 to \$9 million dollars annually.

Key Takeaways

Sinking Fund spending = preventative maintenance spending
no Sinking Fund = deferred maintenance to buildings
deferred maintenance = crisis spending from the General Fund

Any items which could not be funded from Bond fund would need to be funded from **General Fund**, which include corrective action or repairs of buildings.

General Fund: Salaries, Teaching, and Learning

Sinking Fund: Repairs and preventative maintenance

Bond Fund: Capital Improvements, buses, musical instruments, and athletic improvements.

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Next Steps

Recommended Next Steps

Renewal of Sinking Fund

Review factors impacting the Capital Program

- Enrollment
- District programming
- Stakeholder engagement process
- Land acquisition challenges
- Environmental considerations
- Inflationary impacts

Review possible adjustments to the overall Phase 2 Plan

- Project Timeline
- Project Scopes
- Costs

Potential Adjustments

Renewal of Sinking Fund

Adjustments to the Phase 2 Plan, even with both Sinking Fund renewals, could include some or all of the following:

- Omit new middle school pool facility - no Middle School pool program.
- Explore options for use of old Logan Elementary.
- Re-evaluate new construction and modernizations:
 - Abbot Elementary
 - Carpenter Elementary
 - King Elementary
 - Lakewood Elementary
 - Lawton Elementary
 - Pathways to Success
 - Pittsfield Elementary
 - Wines Elementary

All projects would require reconsiderations to overall plan.

Next Steps

- Work with Finance on renewal of the Sinking Fund in 2026.
- Work with District Leadership team on options and recommendations.
- Follow up with Bond Committee with frequent updates and feedback.
- Develop Communication Plans for potential adjustments and / or slow downs to school communities.

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Thank You!

For more information, please visit:
[A2schoolsbond.org](https://www.a2schoolsbond.org)

