

The logo for Miller Canfield, featuring the name in a black, serif, all-caps font. The word "MILLER" is positioned above "CANFIELD", with the letters of "CANFIELD" overlapping the bottom of "MILLER".

MILLER  
CANFIELD

The logo for BakerTilly, consisting of a white circular icon with three curved lines inside, followed by the word "bakertilly" in a white, lowercase, sans-serif font.

 bakertilly

# Beyond Bonds Capital Funding Alternatives

April 23, 2026

A nationwide & Michigan firm

# Baker Tilly



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**11,000+**

team members  
(including principals)



**3,400**

Certified Public  
Accountants



**\$3B+**

firm revenue as of  
June 3, 2025



**1,000+**

principals



**100+**

office locations  
across the U.S.



**250+**

workplace and  
culture awards



- 114 team members
- 11 partners
- Named "Metro Detroit Best and Brightest Company to Work For" for the 8th consecutive year
- Over 250 communities served with bond issuance in excess of \$7.7 billion completed



1a. We cannot or are struggling to pass a voted bond issue in our district. What other capital funding options exist?

1b. We passed a voted bond issue, but construction costs have increased. What other capital funding options exist?

2. I was asked to sign a 179D letter in conjunction with a construction project. What is this and what are my options concerning this letter?

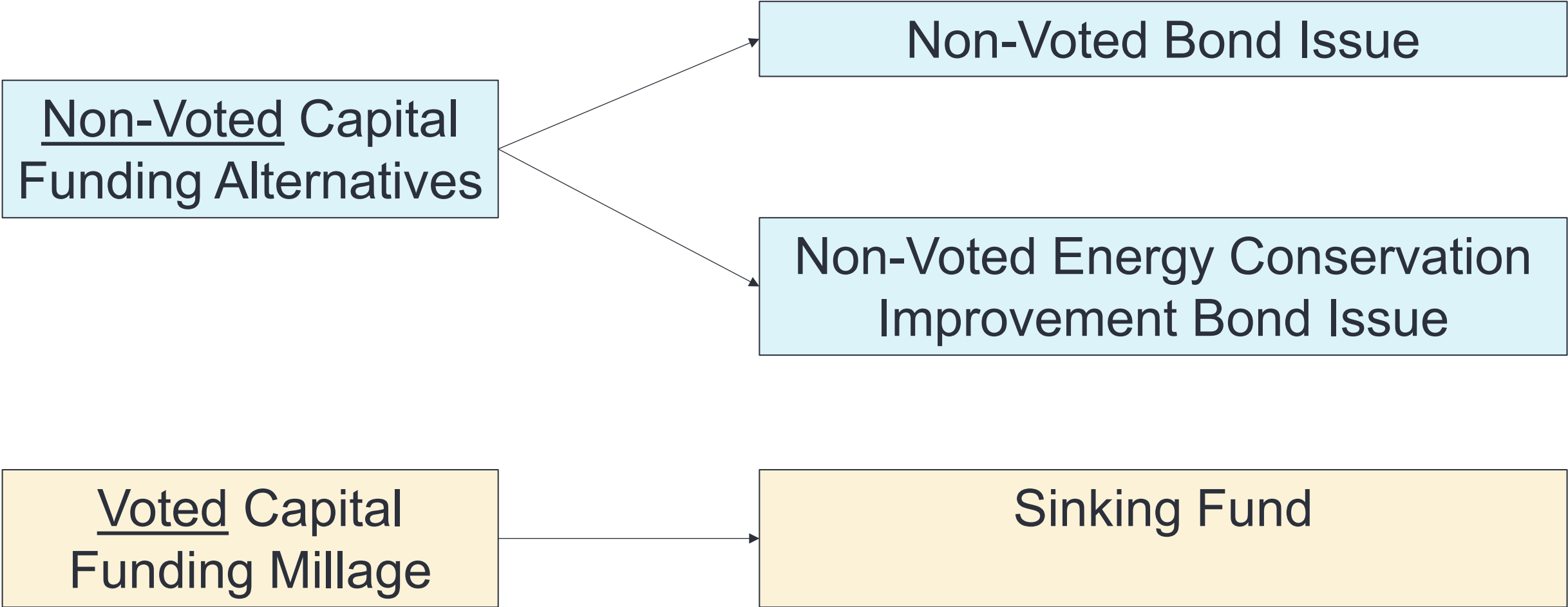
3. We are considering a geothermal, thermal energy tank, or solar project. What are funding and Inflation Reduction Act tax credit options? What is an overview of this process?

4. We are planning or are in the process of selling a building. What can the sale proceeds be used for?

5. Can we generate revenue from leasing/selling the naming rights to a building or athletic facility?

6. What items or challenges would you like to discuss?

# Item 1 Alternatives:



# Non-Voted Bond Issue

**Overview:** School district submits capital improvement project list to bond counsel for review. Board of Education adopts a bond authorizing resolution. Bond sale, bond closing, funds deposited into school district capital improvement account.

**Timing:** Shorter time period needed for completion. Can be as fast as 3 – 4 months.

## Bond Repayment

**Sources:** General fund, identified energy savings, sinking fund collections, other.

**Constraints:** Subject to non-voted debt limit of 5% of State Equalized Value (“SEV”).

**Advantages:** No election required. Shorter financing period so funds can be received faster.

**Disadvantages:** Subject to non-voted debt limit of 5% of SEV. Bond issue must be repaid from existing sources as noted above. A dedicated bond millage rate is not allowed for bond repayment since an election did not occur.

# Non-Voted Energy Conservation Improvement Bond Issue

- Overview:** School district submits capital improvement project list to bond counsel for review. Board of Education adopts a bond authorizing resolution. Bond sale, bond closing, funds deposited into school district capital improvement account.
- Timing:** Shorter time period needed for completion. Can be as fast as 3 – 4 months.
- Bond Repayment Sources:** General fund, identified energy savings, sinking fund collections, other.
- Constraints:** Proposed improvements must be allowable per Public Acts for Energy Conservation Improvement Bond issues.
- Advantages:** **Not** subject to non-voted debt limit of 5% of State Equalized Value (“SEV”). No election required. Shorter financing period so funds can be received faster.
- Disadvantages:** Bond issue must be repaid from existing sources as noted above. A dedicated bond millage rate for bond repayment is not allowed since an election did not occur. Improvements must be allowable per Energy Conservation Improvement Bonds Public Acts.
- Allowable Uses:** Building envelope improvements; heating and cooling upgrades; lighting retrofits; installing or upgrading an energy management system; motor, pump or fan replacements; domestic water use reductions; and upgrading other energy consuming equipment or appliances.

# Non-Voted Energy Conservation Improvement Bond Issue Structure Illustration

Year	Estimated Annual Energy Savings	Bond Payments			Difference
		Principal	Interest	Total	
1	\$125,000		\$97,000	\$97,000	\$28,000
2	250,000	\$135,000	97,000	232,000	18,000
3	250,000	140,000	91,600	231,600	18,400
4	250,000	145,000	86,000	231,000	19,000
5	250,000	150,000	80,200	230,200	19,800
6	250,000	155,000	74,200	229,200	20,800
7	250,000	160,000	68,000	228,000	22,000
8	250,000	165,000	61,600	226,600	23,400
9	250,000	175,000	55,000	230,000	20,000
10	250,000	180,000	48,000	228,000	22,000
11	250,000	190,000	40,800	230,800	19,200
12	250,000	195,000	33,200	228,200	21,800
13	250,000	205,000	25,400	230,400	19,600
14	250,000	210,000	17,200	227,200	22,800
15	250,000	220,000	8,800	228,800	21,200
<b>Totals</b>	<b>\$3,625,000</b>	<b>\$2,425,000</b>	<b>\$884,000</b>	<b>\$3,309,000</b>	<b>\$316,000</b>

Potential interest only in first year to match construction time period and not experiencing a full year of energy savings.

Principal payments in amortization schedule structured to match estimated annual energy savings.

# Statutory Requirements for a Sinking Fund

Pre-2017 Voter Authorization	Post-2016 and Pre 2023 Voter Authorization	Post-2022 Voter Authorization
<ul style="list-style-type: none"> <li>Up to 5 mills for up to 20 years.</li> </ul>	<ul style="list-style-type: none"> <li>Up to 3 mills for up to 10 years.</li> </ul>	<ul style="list-style-type: none"> <li>Up to 3 mills for up to 10 years.</li> </ul>
<ul style="list-style-type: none"> <li>Purchase of real estate for sites for, and the construction or repair<sup>1</sup> of, school buildings.</li> <li>NO EQUIPMENT OR FURNISHINGS.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase of real estate for sites for, and the construction or repair<sup>1</sup> of, school buildings.</li> <li>NO EQUIPMENT OR FURNISHINGS OTHER THAN THE FOLLOWING:               <ul style="list-style-type: none"> <li>School Security Improvements<sup>3</sup>;</li> <li>Technology<sup>4</sup>;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Purchase of real estate for sites for, and the construction or repair<sup>1</sup> of, school buildings.</li> <li>NO EQUIPMENT OR FURNISHINGS OTHER THAN THE FOLLOWING:               <ul style="list-style-type: none"> <li>School Security Improvements<sup>3</sup>;</li> <li>Technology<sup>4</sup>;</li> <li>Student Transportation Vehicles<sup>5</sup> and parts, supplies and equipment to maintain these vehicles;</li> <li>Trucks and Vans<sup>6</sup> and parts, supplies and equipment to maintain these vehicles.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>NO MAINTENANCE<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>NO MAINTENANCE<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>NO MAINTENANCE<sup>2</sup></li> </ul>
<ul style="list-style-type: none"> <li>ANNUAL AUDIT</li> </ul>	<ul style="list-style-type: none"> <li>ANNUAL AUDIT</li> </ul>	<ul style="list-style-type: none"> <li>ANNUAL AUDIT</li> </ul>

# Statutory Requirements for a Sinking Fund - Footnotes

<sup>1</sup> **“Repair”** – putting back in good condition – curative.

<sup>2</sup> **“Maintenance”** – keeping in good condition – preventative.

<sup>3</sup> **“School Security Improvements”** - any capital improvement or purchase that is designed to act as a deterrent to unauthorized entry of persons or items onto school premises or to otherwise promote security, including, but not limited to, metal detectors, locks, doors, lighting, cameras, and enhancements to entryways. School security improvement also includes a mobile telephone application that provides the ability to communicate with personnel on site while also connecting an emergency telephone call to a 9-1-1 center. School security improvement does not include personnel costs or operation costs related to a capital improvement or purchase or related to a mobile telephone application.

<sup>4</sup> **“Technology”** – as defined in Section 1351a of the Revised School Code which is as follows

As used in this section, "technology" means any of the following:

- (a) Hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes.
- (b) The initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices under subdivision (a).
- (c) The costs of design and installation of the hardware, communication devices, and initial operating system software or customized application software authorized under this subsection.

<sup>5</sup> **“School Transportation Vehicles”** – defined by Treasury to mean school buses or other school related vehicles that are used to transport students.

<sup>6</sup> **“Trucks and Vans”** – must be registered under the Michigan Vehicle Code and used to carry parts, equipment and personnel for or in the maintenance of school buildings.

# Sinking Funds Revenue Stream Illustration

Year	Taxable Value	Estimated Growth Percentage	Sinking Fund Millage Rate		
			1.00	2.00	3.00
1	500,000,000		\$500,000	\$1,000,000	\$1,500,000
2	510,000,000	2.00%	510,000	1,020,000	1,530,000
3	520,200,000	2.00%	520,200	1,040,400	1,560,600
4	530,604,000	2.00%	530,604	1,061,208	1,591,812
5	541,216,080	2.00%	541,216	1,082,432	1,623,648
6	552,040,402	2.00%	552,040	1,104,081	1,656,121
7	563,081,210	2.00%	563,081	1,126,162	1,689,244
8	574,342,834	2.00%	574,343	1,148,686	1,723,029
9	585,829,691	2.00%	585,830	1,171,659	1,757,489
10	597,546,285	2.00%	597,546	1,195,093	1,792,639
Totals			<u>\$5,474,860</u>	<u>\$10,949,721</u>	<u>\$16,424,582</u>

\*Does not include potential Headlee rollbacks. Sinking Funds are subject to Headlee rollbacks.

Sinking fund revenue streams can be used in conjunction with non-voted bond issues.

# 179D Tax Deduction

The **Section 179D tax deduction** is a U.S. federal incentive designed to encourage energy-efficient construction and building upgrades, primarily for commercial buildings.

What qualifies:	lighting systems, HVAC and hot water systems, building envelope (walls, roof, windows, insulation)
Maximum:	up to \$5.00 per square foot upon meeting requirements
Who can claim the deduction government/tax-exempt buildings:	Architects, engineers, design build, construction related professionals
Government designation:	Governments must designate the deduction to an eligible entity by signing a "179D letter." Allocation cannot be designated twice.
Negotiations:	Governments can negotiate with 179D eligible entities for the benefit.

# Energy Project Overview and Working Group

Eligible Projects:

Geothermal, Thermal Energy Storage Tanks, and Solar

Inflation Reduction Act  
("IRA") Tax Credit  
Deadlines:

Solar  
-Projects that begin construction prior to 7/5/26 have longer deadlines through 12/31/29.  
-Projects beginning 7/5/26 thereafter must be placed in service by 12/31/27.

Geothermal and Thermal Energy Storage Tanks  
-Credits available through 2032.

Working Group Members:

Financing  
Bond Counsel  
Municipal Advisor

Tax Compliance and Filings  
Inflation Reduction Act ("IRA") Tax Consultant

Construction  
Architect, Construction Manager, Engineers, Energy Consultants, Etc.

# Inflation Reduction Act (“IRA”) Tax Credits

Base credit - e.g. 6% - for qualifying energy projects

*	Base credit w/ prevailing wage and apprenticeship (5x multiplier)	30%
	Domestic content	10%
	Energy community	10%
-	Use of tax-exempt funding for project – tax credit	Max 15%

IRA Tax Credit Calculation Illustration	
<u>I. Tax Credit Basis</u>	
Overall geothermal project cost	\$5,000,000
Less ineligible project costs	(500,000)
	\$4,500,000
<u>II. Tax Credit Percentage</u>	
30% tax credit percentage	30.00%
15% tax-exempt debt reduction factor	-4.50%
	25.50%
<u>III. Tax Credit Dollar Amount</u>	
	\$1,147,500

IRA tax credits include several rules regarding prevailing wage & apprenticeship, domestic content purchases and phase outs, Foreign Entity of Concern (“FEOC”), etc. Consult with a tax professional on your project before spending funds and starting construction.

# Energy Project Evaluation/Planning Process

## Step 1: Evaluating Alternatives and Planning

<u>Construction, Engineering, Energy Consultant</u>	<u>Bond Counsel and Municipal Advisor</u>	<u>IRA Tax Consultant</u>
<ul style="list-style-type: none"> <li>-Estimated project cost</li> <li>-HVAC operations comparisons</li> <li>-Under/Over 1 megawatt?</li> <li>-Estimated construction timing.</li> </ul>	<ul style="list-style-type: none"> <li>-Financing options: Voted bonds, non-voted bonds, non-voted energy bonds,</li> <li>-Sinking funds</li> <li>-Funds on hand</li> <li>-Allowable IRA tax credit uses</li> </ul>	<ul style="list-style-type: none"> <li>-IRA tax credit construction requirements. Prevailing wage &amp; apprenticeship, domestic content, etc.</li> <li>-Begun construction requirements.</li> <li>-Estimated tax credit and receipt timing.</li> </ul>

## Step 2: Bidding, Construction Financing, Compliance

<u>Construction, Engineering, Energy Consultant</u>	<u>Bond Counsel and Municipal Advisor</u>	<u>IRA Tax Consultant</u>
<ul style="list-style-type: none"> <li>-Bid project.</li> <li>-Construct project.</li> <li>-Assist with IRA tax compliance items and cost documentation.</li> </ul>	<ul style="list-style-type: none"> <li>-Complete financing for project.</li> <li>-Funds into construction account.</li> </ul>	<ul style="list-style-type: none"> <li>-Assist construction team with IRA tax credit bidding language.</li> <li>-Establish begun construction and construction completion.</li> <li>-Assist with IRA compliance and questions.</li> </ul>

# Energy Project Evaluation/Planning Process

<u>Step 3: Construction Complete, Documentation, Tax Filing</u>	
<u>Construction, Engineering, Energy Consultant</u>  -Provide proof of construction completion. Pictures, occupancy certificates, interconnection agreements.  -Construct cost information.	<u>IRA Tax Consultant</u>  -Gather required documentation.  -Cost segregation analysis to identify eligible and ineligible costs.  -Tax filing forms. File with IRS.  -Tax filing workpapers and documentation.

# Sale of School Property

- Under federal tax law when property is sold which has been improved or purchased with the proceeds of tax-exempt bonds a school district needs to make sure that it does not run afoul of the **Private Activity Bond Rules**.
- In basic terms, these Rules prohibit a private person or entity from benefiting from the benefits of a tax-exempt financing.
- **A violation of these Rules could jeopardize the tax-exempt status of a school district's bonds.**
- Under these Rules a sale of property involved with the proceeds of tax-exempt bonds could require all or a portion of the proceeds from the sale of the property to be used to repay the outstanding bonds.

# Lease of School Property/Granting of Naming Rights

- The Private Activity Bond Rules would also apply to any bond financed property that is leased or subject to a naming rights agreement.
- Other legal issues to consider?

**Questions?**



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Bond Counsel	Environmental
Employment/Retirement Benefits	Elections/Campaign Finance
Revenue Enhancement	Special Education
Equipment Financing	Employment Litigation/Grievances
Shared Services Agreements	School Reform/Accountability/Compliance
Vendor Agreements	Pupil Accounting
Student Conduct	Cybersecurity
Restructuring Counsel	Intellectual Property
Teacher Tenure and Evaluation	Intergovernmental Agreements
Construction-Related Agreements	Cash Flow Borrowings
FOIA/OMA/Governance	Energy Conservation
Technology	Property Disposition/ Real Estate
Labor Agreements	Investigations



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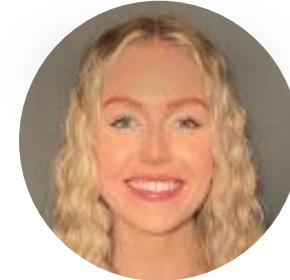
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# Capital Improvement Projects

## Construction Cost and Risk Management

- Construction contract review
- Change order analysis
- Pay application calculation review
- Project budget and timing online dashboards
- Monthly review meetings
- Cash flow draw management
  - Estimated cash flow draw
  - Proper allocation of funds
- Schedule monitoring

## Municipal Advisory (Bond Issuance)

- Bond Issuance
  - Voted bonds
  - Non-voted bonds
  - Energy conservation improvement bonds
- Refinancing bonds
- State Aid Notes
- Sinking Fund Analysis

## Clean Energy Funding

- Inflation Reduction Act (“IRA”)
  - Electric vehicles, charging stations, solar, geothermal, thermal energy storage.
- 179D Tax Deduction
  - Efficient building incentives

## Arbitrage and Investment

- Arbitrage rebate calculations for bond proceed investments
- Investment of bond proceeds and operating dollars
- Investment compliance with state code
- Investment reporting for audit and accounting



# Accounting and Operations

## Accounting Support

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- Staff mentoring and questions
- Software conversions
- Interim turnover support
- Audit preparations
- Budgeting support
- Periodic reporting and other accounting related functions

## Grants, Incentives and Loan Analysis

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- Federal and state grant possibilities
- Loan program alternative analysis
- Credits and Incentives

## Performance Audits

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- Evaluate compliance with bond program expenditures, regulations, grants, etc.
- Assess performance against metrics and ways to enhance outcomes

## Operational Reviews

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- Review organizational efficiency and staffing levels
- Optimize processes to identify cost savings
- Conduct a review of specific departments to compare against best practices

## Investment and Cash Flows

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- Investment of operating dollars
- Investment compliance with state code
- Investment reporting for audit and accounting
- Cash flow estimations/monitoring and state aid note assistance



# Disclosure

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

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