
MEMORANDUM

To: Board of Education

From: Jason P. Demerath, SFO, CSRM, Director of Business Services

Date: December 17, 2015

Re: 5-Year Financial Projection (2016-21)

Attached you will find materials related to the five year financial projection as outlined below. So you may cross-reference to my explanations below, please note that the title of the pages generated from the model are in the upper-right hand corner of that page.

Revenue Limit and Levy Explanation

Given the relatively short tenure of some of our Board members, I thought it may be useful to include this summary of major factors that affect the budget of school districts in Wisconsin. These explanations are utilizing our local data. Please feel free to read through these concise explanations of some of our important budget factors.

Key Assumptions

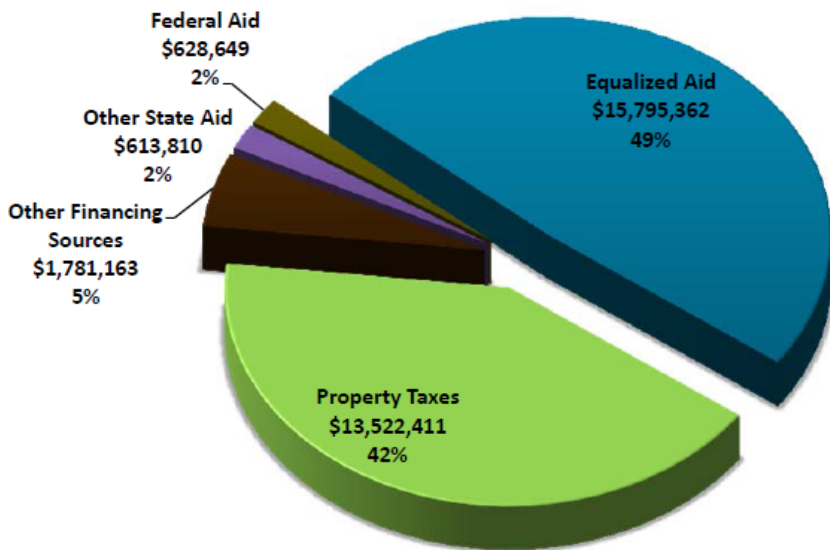
This one page summary outlines the key assumptions that are made within the budget model. As these assumptions change, the resulting output changes accordingly. One item of note is the last line on this page entitled, "Other District Adjustments." Currently, the only adjustment locally that is made is the reduction of 1.0 FTE at the elementary level. This is the result of the matriculation of classes through the elementary level. As smaller classes come in, and larger classes move on to the middle school, there is opportunity to reduce the number of FTE's at the elementary level and still maintain a proper student-teacher ratio. This year we have a large fifth grade class that will be moving onto the middle school next year, resulting in the ability to reduce 1.0 FTE at the elementary level.

Output Summary

This is a one page summary of the forecast model results. As stated above, this output is based upon the assumptions that are made within the model. As you can see, once the current referendum expires we are looking at a large deficit which will become the central focus of our referendum discussions in the coming months.

Beginning on the next page you will find some information accompanied by graphics explaining some of the key components of the budget and other items that will likely be considered as discussions ensue regarding a potential future referendum.

Components of Fund 10 Revenues 2015-2016

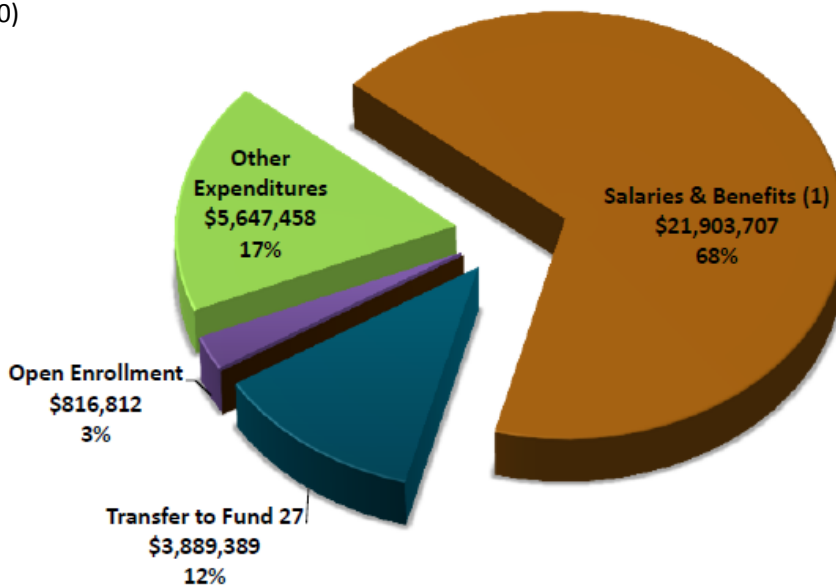


Here we have a summary of the components that comprise the General Fund (Fund 10) Revenue. As is noted, 90.7% of our total revenue comes from those factors determined in the State Revenue Limit Calculation. You can relate this back to the "Revenue Limit and Levy Explanation" as outlined on the memo and attached hereto.

90.7% of Revenues Determined by the State Revenue Limit Calculation

Components of Fund 10 Expenses 2015-2016

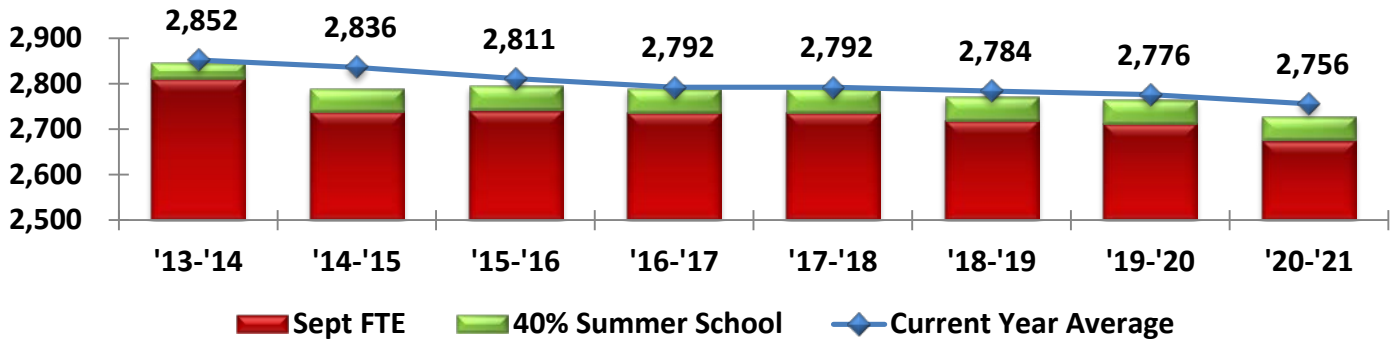
Here is a summary of General Fund (Fund 10) Expenses. As is noted below, 78.2% of the expenses are salaries and benefits, thus the roughly 80% that is always talked about.



(1) Percent of Expenditures with the addition of Funds 27 Salaries & Benefits: 78.2%

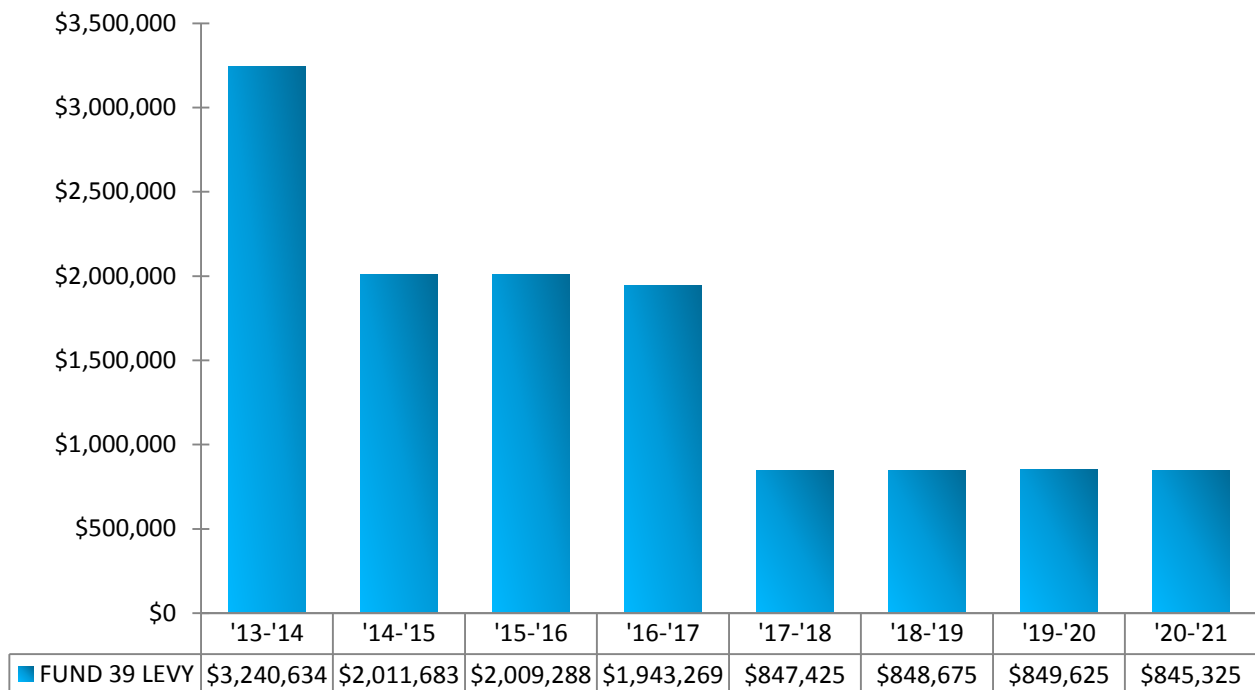
Below is a graphical representation of the Revenue Limit FTE (Full-Time Equivalency) over time. As you can see, and as you know, our enrollment has decreased over the recent years resulting in our Revenue Limit FTE decreasing as well. Given that our revenue limit is determined on a per FTE basis, this decline negatively impacts our funding under the revenue limit. The projected enrollments going forward are based on a cohort survival ratio, a method typically used in projecting enrollment. The only caution is that since we must estimate the incoming class sizes in future years, the further into the future you get, the less reliability in the numbers there may be as the majority of the 4K class in 2020-21 likely hasn't even been born yet.

Revenue Limit FTE Comparison



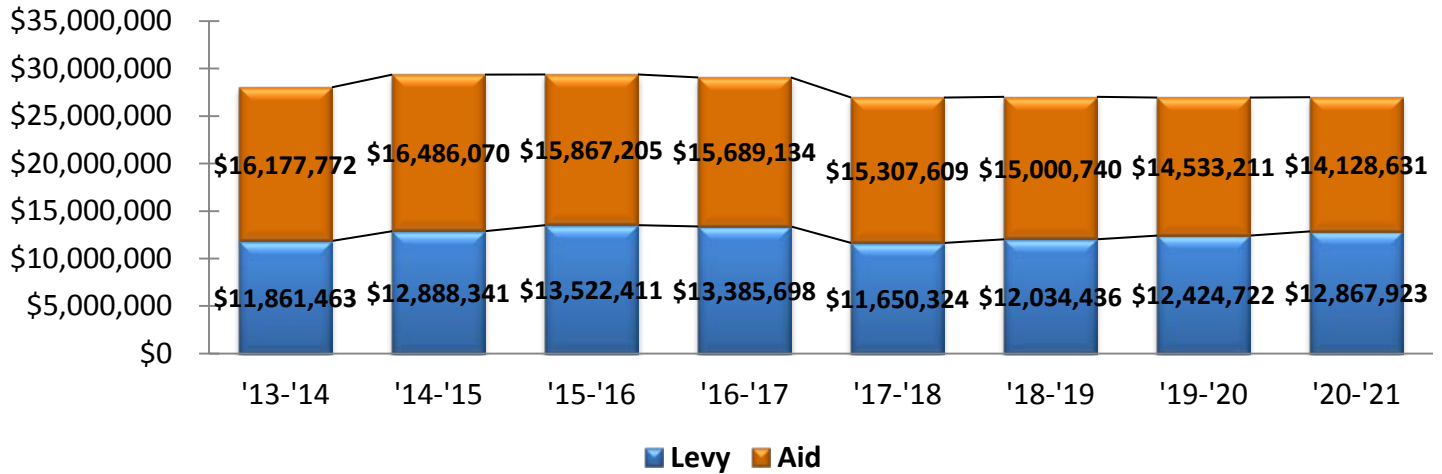
Below is a chart depicting the Fund 39 (Referendum Debt) levy over the course of this projection model. If you remember, the discussion during the last referendum was that we could increase the amount without a tax increase. That is because of the levy decrease in 2014-15 shown below from \$3.2 million to \$2 million for referendum approved debt payments. This past spring, we refinanced the remainder of this debt to create the same type of “step” in 2017-18, which would be the first year of our next referendum. As you can see below, that step decreases the debt levy in that year by \$1,095,844. In theory, the next referendum could be up to \$2,845,844 without a tax increase (\$1,750,000 + \$1,095,844 = \$2,845,844). Obviously there are other factors that play into what the ultimate tax levy is, but that is a general overview of how we were able, and would be able to in the next referendum, increase the amount without a tax increase.

Fund 39 Levy

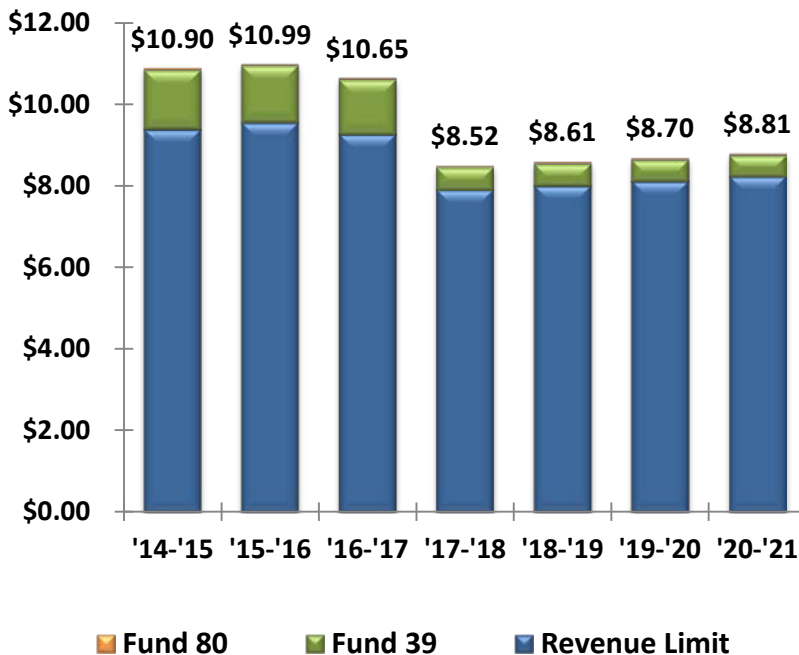


Below is a chart depicting the overall revenue limit over the years and its' composition of taxes and state aid. As you can see, it decreases in 2017-18, the bulk of which is on the tax levy side. This is the result of our current referendum expiring at the end of 2016-17. More detail regarding this graph, the revenue limit and state aid can be found on the attached sheet entitled, "Revenue Limit and Aid Analysis."

Revenue Limit / Aid Analysis \$ Comparison



Projected Mill Rate



The chart at the left shows the mill rate over the course of this projection. As you can see, as a result of the current referendum expiring at the end of 2016-17, the mill rate drops \$2.13 in 2017-18. As referenced above in the Fund 39 tax levy graph, also in that year the tax levy for debt (shown in green) decreases as well as the operational levy. When thinking about the upcoming referendum, you could extend the operational levy (shown in blue) upwards by \$2.13 to arrive at the same mill rate level as 2016-17. This further illustrates the ability the District has to increase the referendum amount without increasing taxes.

Finally, the table below calculates the total school based taxes on a household at three different value levels. As a point of reference, the mill rate in 2013-14 was \$11.37 resulting in school based taxes on these three value levels being:

- \$100,000 = \$1,137
- \$150,000 = \$1,706
- \$200,000 = \$2,274

With that in mind, you can see that at each level it is estimated that taxes over the course of the current three year referendum were actually lower than the 2013-14 year immediately preceding the current referendum. A couple of words of caution, however:

- This is not the exact impact that every homeowner may have seen as a result of the way valuations vary between municipalities. One taxpayer in one municipality may have seen a larger decrease, while another taxpayer in another municipality may have seen their taxes increase during this referendum.
- The 2016-17 levy has yet to be determined as a result of factors that will not truly be known until the fall of 2016. In the projections used during the referendum it was assumed that taxes in 2016-17 would be slightly higher than 2013-14, thus resulting in the average taxes during the current referendum being at about the 2013-14 level. Should this projection hold true, the average taxes during the current referendum would actually be below the 2013-14 level.

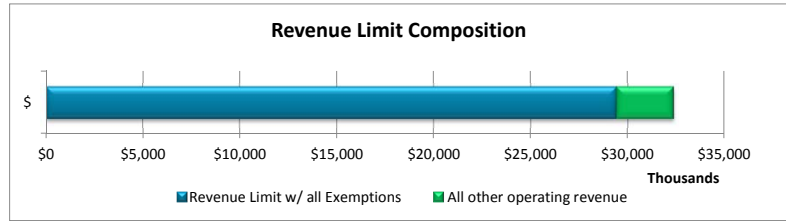
School Based Taxes			
Home Value	'14-'15	'15-'16	'16-'17
\$100,000	\$1,090	\$1,099	\$1,065
% Change		0.87%	-3.09%
\$150,000	\$1,635	\$1,649	\$1,598
% Change		0.87%	-3.09%
\$200,000	\$2,180	\$2,199	\$2,131
% Change		0.87%	-3.09%

I will be presenting some of this information at the Board meeting, however it may not be this detailed. As we work our way through referendum planning however, I am sure many of these details will be explored and discussed. Please feel free to contact me with any questions.

Why is the Revenue Limit Important?

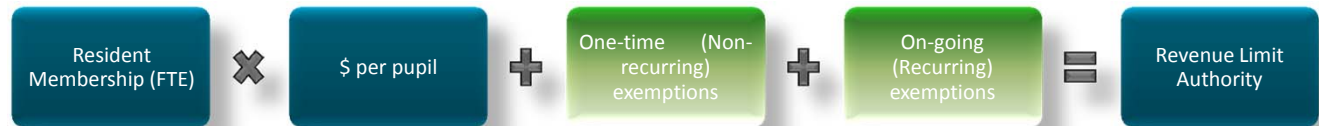
The revenue limit comprises 91% of the school district's 2015-2016 general fund operating revenue.

2014-2015 Fund 10 Budget	\$	%
Revenue Limit w/ all Exemptions	\$29,389,616	90.9%
All other operating revenue	\$2,951,779	9.1%
Total	\$32,341,395	100.0%



What is the Revenue Limit and how is it calculated?

A district's revenue limit is the maximum amount of revenue that may be raise through **state general aid** and **property tax** for the General, Non-Referendum Debt, and Capital Expansion Funds, also referred to as Funds 10, 38, and 41 respectively.

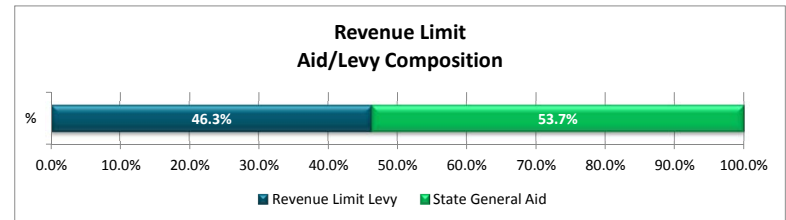


Why is State General Aid important?

The revenue limit calculates **how much** the district can raise through state general aid and the local tax levy. State general aid identifies **who pays**. The Revenue Limit less state general aid equals the revenue limit property tax levy.

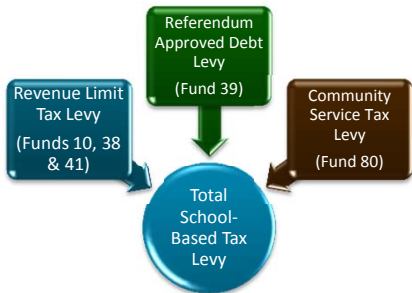
54% of the school district's 2015-2016 revenue limit authority is funded through state general aid.

2014-2015 Budget	\$	%
Revenue Limit w/ all Exemptions	\$29,389,616	
(less) State General Aid	-\$15,795,362	53.7%
Revenue Limit Levy	\$13,594,254	46.3%



Total School Based Tax Levy and Mill Rate

School district property taxes include the Revenue Limit Levy (General, Non-referendum Debt and Capital Expansion Funds), Referendum-approved Debt Levy (Fund 39) and the Community Services Levy (Fund 80).



<u>2015-2016 Levy</u>		\$
Revenue Limit Levy		\$13,522,411
Referendum-Approved Debt Levy		\$2,009,288
Community Services Levy		\$26,096
Total school-based Levy		\$15,557,795
Equalized Property Value		\$1,415,148,214
Mill Rate		\$10.99

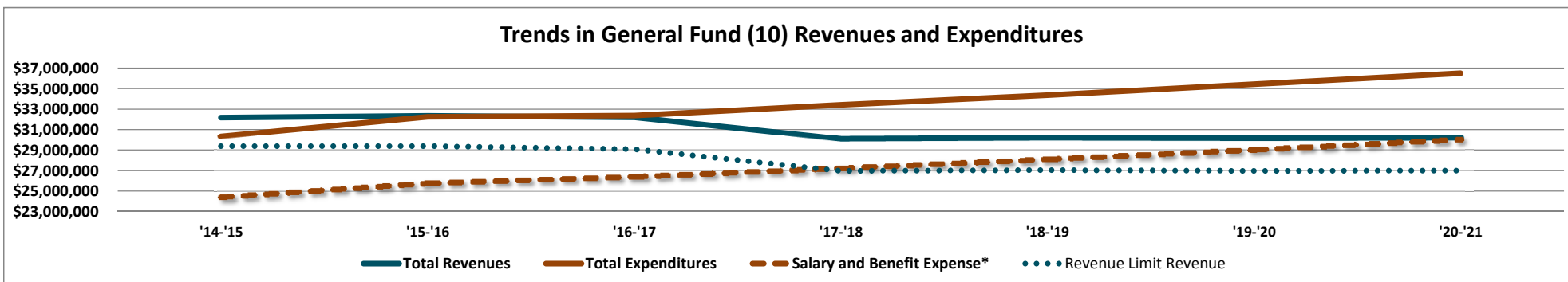
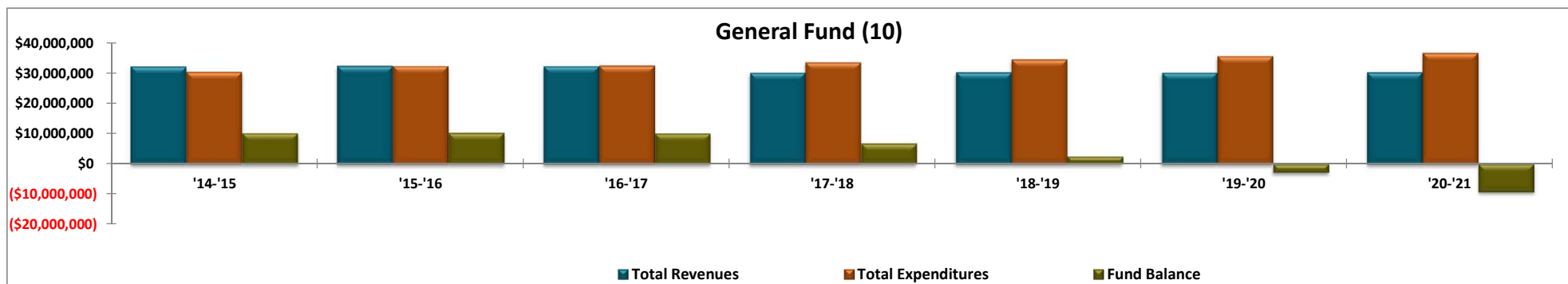


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	HISTORICAL			Current Budget '15-'16	'15-'16 % Δ	Working Budget '16-'17	'16-'17 % Δ	FORECAST						
	Actual '13-'14	Actual '14-'15	'14-'15 % Δ					Projected '17-'18	'17-'18 % Δ	Projected '18-'19	'18-'19 % Δ	Projected '19-'20	'19-'20 % Δ	Projected '20-'21
State Assumptions														
Revenue Limit Per Pupil Increase	\$75	\$75	0.00%	\$0	-100.00%	\$0		\$0		\$0		\$0		\$0
Per Pupil Categorical Aid \$ / Pupil	\$75	\$150	100.00%	\$150	0.00%	\$250	66.67%	\$250	0.00%	\$250	0.00%	\$250	0.00%	\$250
Revenue Limit Low Revenue Ceiling	\$9,100	\$9,100	0.00%	\$9,100	0.00%	\$9,100	0.00%	\$9,100	0.00%	\$9,100	0.00%	\$9,100	0.00%	\$9,100
Equalization Aid Primary Guarantee	\$1,930,000	\$1,930,000	0.00%	\$1,930,000	0.00%	\$1,930,000	0.00%	\$1,930,000	0.00%	\$1,930,000	0.00%	\$1,930,000	0.00%	\$1,930,000
Equalization Aid Secondary Guarantee	\$1,090,654	\$1,096,593	0.54%	\$1,101,448	0.44%	\$1,101,448	0.00%	\$1,101,448	0.00%	\$1,101,448	0.00%	\$1,101,448	0.00%	\$1,101,448
Equalization Aid Tertiary Guarantee	\$536,519	\$531,883	-0.86%	\$546,173	2.69%	\$546,173	0.00%	\$546,173	0.00%	\$546,173	0.00%	\$546,173	0.00%	\$546,173
Equalization Aid Primary Cost Ceiling	\$1,000	\$1,000	0.00%	\$1,000	0.00%	\$1,000	0.00%	\$1,000	0.00%	\$1,000	0.00%	\$1,000	0.00%	\$1,000
Equalization Aid Secondary Cost Ceiling	\$9,092	\$9,225	1.46%	\$9,400	1.90%	\$9,400	0.00%	\$9,400	0.00%	\$9,400	0.00%	\$9,400	0.00%	\$9,400
Equalization Aid Hold Harmless %	85%	85%		85%		85%		85%		85%		85%		85%
Open Enrollment State Aid per Student Multiplier	\$6,485	\$6,635	2.31%	\$6,639	0.06%	\$6,639	0.00%	\$6,639	0.00%	\$6,639	0.00%	\$6,639	0.00%	\$6,639
Local Assumptions														
Enrollment: Summer ADM	90	127	41.11%	134	5.51%	134	0.00%	134	0.00%	134	0.00%	134	0.00%	134
Enrollment: Third Friday September	2,811	2,738	-2.60%	2,742	0.15%	2,736	-0.22%	2,737	0.02%	2,719	-0.66%	2,712	-0.23%	2,676
Open Enrollment Transfers In	173.9	176.8	1.71%	183.5	3.78%	211.1	15.06%	211.5	0.15%	214.1	1.25%	214.7	0.26%	216.8
Open Enrollment Transfers Out	90.8	103.8	14.37%	123.0	18.50%	125.3	1.82%	133.0	6.16%	127.1	-4.41%	129.0	1.48%	123.3
Recurring Referenda to Exceed Rev. Limit	\$0	\$0		\$0		\$0		\$0		\$0		\$0		\$0
Non-Recurring Referenda to Exceed Rev. Limit	\$694,000	\$1,750,000	152.16%	\$1,750,000	0.00%	\$1,750,000	0.00%	\$0	-100.00%	\$0		\$0		\$0
Energy Efficiency Exemption	\$100,000	\$130,000	30.00%	\$0	-100.00%	\$0		\$0		\$0		\$0		\$0
Fund 10 Levy	\$11,861,463	\$12,888,341	8.66%	\$13,522,411	4.92%	\$13,385,698	-1.01%	\$11,650,324	-12.96%	\$12,034,436	3.30%	\$12,424,722	3.24%	\$12,867,923
Fund 38 Levy	\$0	\$0		\$0		\$0		\$0		\$0		\$0		\$0
Fund 39 Levy	\$3,240,634	\$2,011,683	-37.92%	\$2,009,288	-0.12%	\$1,943,269	-3.29%	\$847,425	-56.39%	\$848,675	0.15%	\$849,625	0.11%	\$845,325
Fund 41 Levy	\$0	\$0		\$0		\$0		\$0		\$0		\$0		\$0
Fund 80 Levy	\$58,384	\$58,384	0.00%	\$26,096	-55.30%	\$50,000	91.60%	\$50,000	0.00%	\$50,000	0.00%	\$50,000	0.00%	\$50,000
TIF OUT Tax Apportionment Equalized Valuation	\$1,335,646,112	\$1,372,601,724	2.77%	\$1,415,148,214	3.10%	\$1,443,451,178	2.00%	\$1,472,320,202	2.00%	\$1,501,766,606	2.00%	\$1,531,801,938	2.00%	\$1,562,437,977
Fund 10: Salaries & Benefits (% Growth)	\$21,151,925	\$21,001,496	-0.71%	\$21,903,707	4.30%	\$22,536,911	2.89%	\$23,194,632	2.92%	\$23,892,365	3.01%	\$24,633,401	3.10%	\$25,421,321
Fund 27: Salaries & Benefits (% Growth)	\$4,343,310	\$4,472,080	2.96%	\$4,934,706	10.34%	\$5,087,682	3.10%	\$5,250,128	3.19%	\$5,422,826	3.29%	\$5,606,627	3.39%	\$5,802,459
Fund 50: Salaries & Benefits (% Growth)	\$653,709	\$622,673	-4.75%	\$606,506	-2.60%	\$624,460	2.96%	\$643,482	3.05%	\$663,659	3.14%	\$685,085	3.23%	\$707,864
Fund 80: Salaries & Benefits (% Growth)	\$33,605	\$30,858	-8.17%	\$31,000	0.46%	\$31,465	1.50%	\$31,937	1.50%	\$32,416	1.50%	\$32,902	1.50%	\$33,396
Other District Adjustments*														
Reduction of 1.0 FTE Elementary Teacher (5th Grade Section)						(\$66,000)		(\$67,320)		(\$68,666)		(\$70,040)		(\$71,441)

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Forecast Model Scenario:	Current Scenario						
	'14-'15	'15-'16	'16-'17	'17-'18	'18-'19	'19-'20	'20-'21
Sept Membership (FTE) Growth:	-2.60%	0.15%	-0.22%	0.02%	-0.66%	-0.23%	-1.35%
Per Pupil Increase:	\$75	\$0	\$0	\$0	\$0	\$0	\$0
Equalized Valuation Growth:	2.77%	3.10%	2.00%	2.00%	2.00%	2.00%	2.00%
Fund 10 Revenues	\$32,178,211	\$32,341,395	\$32,196,760	\$30,089,385	\$30,189,745	\$30,121,741	\$30,177,176
Fund 10 Expenditures	\$30,315,975	\$32,257,366	\$32,357,765	\$33,403,851	\$34,361,792	\$35,429,432	\$36,509,629
Surplus (Deficit)	\$1,862,236	\$84,029	(\$161,005)	(\$3,314,466)	(\$4,172,046)	(\$5,307,691)	(\$6,332,453)
Fund Balance	\$10,065,707	\$10,149,736	\$9,988,731	\$6,674,265	\$2,502,219	(\$2,805,472)	(\$9,137,925)
Fund Balance as % of Expenditures	33.20%	31.46%	30.87%	19.98%	7.28%	-7.92%	-25.03%
Total School-Based Tax Levy	\$14,959,854	\$15,557,795	\$15,378,967	\$12,547,749	\$12,933,111	\$13,324,347	\$13,763,248
% change		4.00%	-1.15%	-18.41%	3.07%	3.03%	3.29%
Total Tax Rate per \$1,000 Equalized Valuation	\$10.90	\$10.99	\$10.65	\$8.52	\$8.61	\$8.70	\$8.81
% change		0.83%	-3.09%	-20.00%	1.06%	1.05%	1.26%
Non-Recurring Referendum \$	\$1,750,000	\$1,750,000	\$1,750,000	\$0	\$0	\$0	\$0
Recurring Referendum \$	\$0	\$0	\$0	\$0	\$0	\$0	\$0



*Salary and Benefit Expense includes transfer expense to funds 27 and 50.

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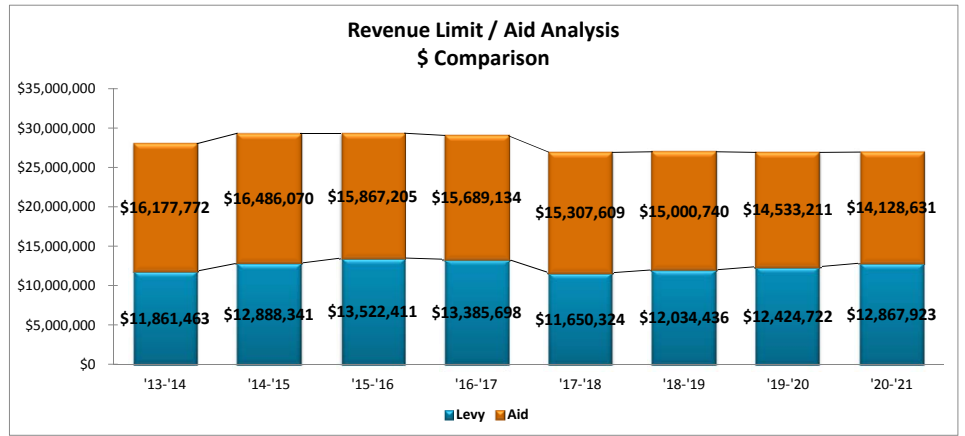
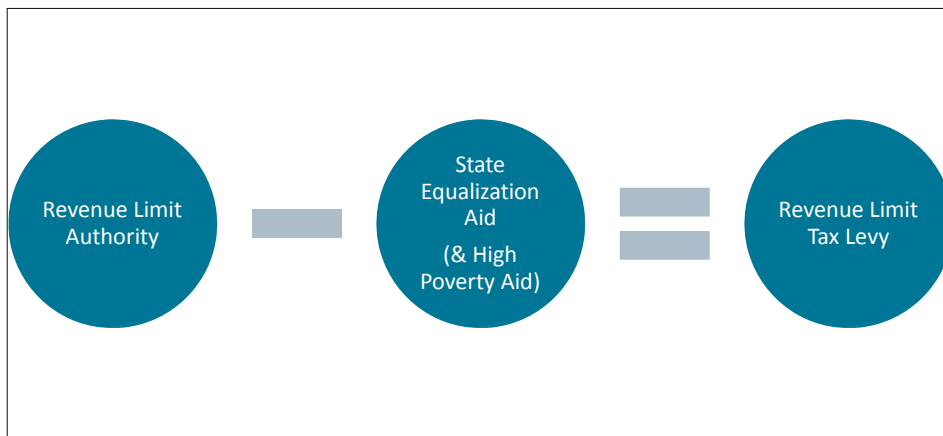
Revenue Limit Calculation

	'14-'15	'15-'16	% Δ	'16-'17	% Δ	'17-'18	% Δ	'18-'19	% Δ	'19-'20	% Δ	'20-'21	% Δ
Base Year Average FTE	2,852	2836		2,811		2,792		2,792		2,784		2,776	
Current Year Average FTE	2,836	2811	-0.88%	2,792	-0.68%	2,792	0.00%	2,784	-0.29%	2,776	-0.29%	2,756	-0.72%
Base Revenue Per Member	\$9,553	\$9,640		\$9,655		\$9,655		\$9,655		\$9,655		\$9,655	
Per Pupil Increase/(Decrease)	\$75	\$0		\$0		\$0		\$0		\$0		\$0	
Maximum Revenue Per Member	\$9,628	\$9,640	0.13%	\$9,655	0.16%	\$9,655	0.00%	\$9,655	0.00%	\$9,655	0.00%	\$9,655	0.00%
Revenue Limit With No Exemptions	\$27,305,093	\$27,339,380	0.13%	\$27,141,379	-0.72%	\$26,957,933	-0.68%	\$26,957,933	0.00%	\$26,880,689	-0.29%	\$26,803,446	-0.29%
Hold Harmless	\$0	\$241,003		\$183,447		\$0		\$77,243		\$77,243		\$193,108	
Prior Year Carryover	\$0	\$0		\$0		\$0		\$0		\$0		\$0	
Transfer of Service	\$34,287	\$43,002		\$0		\$0		\$0		\$0		\$0	
Recurring Referendum	\$0	\$0		\$0		\$0		\$0		\$0		\$0	
Other	\$0	\$0		\$0		\$0		\$0		\$0		\$0	
Total Recurring Exemptions	\$34,287	\$43,002	25.42%	\$0	-100.00%	\$0		\$0		\$0		\$0	
Declining Enrollment	\$154,048	\$241,003		\$183,453		\$0		\$77,243		\$77,243		\$193,108	
Energy Efficiency	\$130,000	\$0		\$0		\$0		\$0		\$0		\$0	
Non-Recurring Referendum	\$1,750,000	\$1,750,000		\$1,750,000		\$0		\$0		\$0		\$0	
Other	\$982	\$16,231		\$0		\$0		\$0		\$0		\$0	
Total Non-Recurring Exemptions	\$2,035,030	\$2,007,234	-1.37%	\$1,933,453	-3.68%	\$0	-100.00%	\$77,243		\$77,243	0.00%	\$193,108	150.00%
Total Revenue Limit With All Exemptions	\$29,374,410	\$29,389,616	0.05%	\$29,074,832	-1.07%	\$26,957,933	-7.28%	\$27,035,176	0.29%	\$26,957,933	-0.29%	\$26,996,554	0.14%

Revenue Limit Levy Analysis

	'14-'15	'15-'16	% Δ	'16-'17	% Δ	'17-'18	% Δ	'18-'19	% Δ	'19-'20	% Δ	'20-'21	% Δ	
Total Revenue Limit With All Exemptions	\$29,374,410	\$29,389,616	0.05%	\$29,074,832	-1.07%	\$26,957,933	-7.28%	\$27,035,176	0.29%	\$26,957,933	-0.29%	\$26,996,554	0.14%	
Equalization and High Poverty Aid	(\$16,408,374)	(\$15,795,362)	-3.74%	(\$15,619,509)	-1.11%	(\$15,251,916)	-2.35%	(\$14,944,462)	-2.02%	(\$14,476,367)	-3.13%	(\$14,071,066)	-2.80%	
Allowable Limited Revenue	\$12,966,037	\$13,594,254	4.85%	\$13,455,323	-1.02%	\$11,706,017	-13.00%	\$12,090,714	3.29%	\$12,481,566	3.23%	\$12,925,488	3.56%	
General Fund	Fund 10	\$12,966,037	\$13,594,254	4.85%	\$13,455,323	-1.02%	\$11,706,017	-13.00%	\$12,090,714	3.29%	\$12,481,566	3.23%	\$12,925,488	3.56%
Non-Referendum Debt Service	Fund 38	\$0	\$0		\$0		\$0		\$0		\$0		\$0	
Capital Expansion	Fund 41	\$0	\$0		\$0		\$0		\$0		\$0		\$0	
Total Revenue Limit Levy Used	\$12,966,037	\$13,594,254	4.85%	\$13,455,323	-1.02%	\$11,706,017	-13.00%	\$12,090,714	3.29%	\$12,481,566	3.23%	\$12,925,488	3.56%	
% Used	100.00%	100.00%		100.00%		100.00%		100.00%		100.00%		100.00%		

Note: The General Fund (Fund 10) Levy will be reduced by the Computer Aid for the actual Fund 10 levy



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Tax Levy Analysis

		'14-'15	'15-'16	'16-'17	'17-'18	'18-'19	'19-'20	'20-'21
General Fund	Fund 10	\$12,888,341	\$13,522,411	\$13,385,698	\$11,650,324	\$12,034,436	\$12,424,722	\$12,867,923
Non-Referendum Debt Service	Fund 38	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expansion	Fund 41	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue Limit Levy		\$12,888,341	\$13,522,411	\$13,385,698	\$11,650,324	\$12,034,436	\$12,424,722	\$12,867,923
Referendum Approved Debt Service	Fund 39	\$2,011,683	\$2,009,288	\$1,943,269	\$847,425	\$848,675	\$849,625	\$845,325
Community Service	Fund 80	\$58,384	\$26,096	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Property Tax Chargeback	Fund 10	\$1,446	\$0	\$0	\$0	\$0	\$0	\$0
Total School-Based Tax Levy		\$14,959,854	\$15,557,795	\$15,378,967	\$12,547,749	\$12,933,111	\$13,324,347	\$13,763,248
% Change			4.00%	-1.15%	-18.41%	3.07%	3.03%	3.29%

Equalized Value Analysis

		'14-'15	'15-'16	'16-'17	'17-'18	'18-'19	'19-'20	'20-'21
Equalized Value (TIF Out)		\$1,372,601,724	\$1,415,148,214	\$1,443,451,178	\$1,472,320,202	\$1,501,766,606	\$1,531,801,938	\$1,562,437,977
% Change			3.10%	2.00%	2.00%	2.00%	2.00%	2.00%

Mill Rate Analysis

		'14-'15	'15-'16	'16-'17	'17-'18	'18-'19	'19-'20	'20-'21
General Fund	Fund 10	\$9.39	\$9.56	\$9.27	\$7.91	\$8.01	\$8.11	\$8.24
Non-Referendum Debt Service	Fund 38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capital Expansion	Fund 41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue Limit Mill Rate		\$9.39	\$9.56	\$9.27	\$7.91	\$8.01	\$8.11	\$8.24
Referendum Approved Debt Service	Fund 39	\$1.47	\$1.42	\$1.35	\$0.58	\$0.57	\$0.55	\$0.54
Community Service	Fund 80	\$0.04	\$0.02	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03
Property Tax Chargeback	Fund 10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total School-Based Mill Rate		\$10.90	\$10.99	\$10.65	\$8.52	\$8.61	\$8.70	\$8.81
% Change			0.87%	-3.09%	-20.01%	1.05%	1.00%	1.27%

