

Budget Forecast

Jan. 7, 2019

A Look Back

A Look Back

- **Aug. & Sept. 2017** - Annual Meeting & Annual Report
- **Since Fall 2017** - Board of Education has discussed various options
- **March 2018** - Community newsletter with fiscal updates
- **April 2018** - BOE/admin community budget conversations, attended by approximately 450 people
- **May & June 2018** - Community-wide survey to engage, inform and collect data
- **Aug. & Sept. 2018** - Annual Meeting & Annual Report

SDNB's Structural Deficits

SDNB's Structural Deficit History

Managed structural deficits from **\$850,000 to \$1.9 million** each of last 7 years:

- Utilized Act 10 “tools”
 - Changed health insurance plans
 - Sharing in employee retirement contributions
- Closed, sold Glen Park Elementary
- Reduced administration, central office and teaching staff to match enrollments
- Sold other properties
- Refinanced debt, paid off Wisconsin Retirement System debt
- Energy-saving initiatives
- Restructured custodial, library services
- Partnered with City for better services

What is Causing SDNB's Structural Deficits?

- Annual debt payment of approximately \$3.7 million for Ronald Reagan and West renovations
- Needed upgrades at other buildings done within operating budget:
 - safety/security enhancements and upgrades
 - Americans with Disabilities Act compliance
 - Eisenhower classroom improvements (engineering / science labs, etc.) and pool replacement
 - technology infrastructure
- Not levying to max for several years
- Declining enrollment
- Costs - for just about everything - continue to rise

Key Takeaways

- Decision to pay for Ronald Reagan & New Berlin West out of operating budget was strategic and purposeful:
 - Addressed significant facility needs and shielded taxpayers
 - Saved community \$26.4 million in principal and interest over 15 years
- Other upgrades typically done elsewhere through referendums
- Provided tax relief during recession by underlevying

Debt Within the Operating Budget

2019-2020	\$4.3 million	2025-2026	\$3.2 million
2020-2021	\$4.3 million	2026-2027	\$3.0 million
2021-2022	\$3.7 million	2027-2028	\$3.0 million
2022-2023	\$3.7 million	2028-2029	\$3.0 million
2023-2024	\$3.7 million	2029-2030	minimal
2024-2025	\$3.7 million		

* - Debt includes Ronald Reagan and West renovations; Wisconsin Retirement System refinancing; West sewer; Eisenhower boilers

Spring 2018 Projections

Year	Structural Deficit	Long-Range Planning*	Total
2018-19	\$1,351,225	\$3,550,000	\$4.9 million
2019-20	\$3,169,635	\$3,350,000	\$6.5 million
2020-21	\$2,257,341	\$3,350,000	\$5.6 million
2021-22	\$1,654,730	\$3,460,000	\$5.1 million
2022-23	\$2,088,165	\$3,350,000	\$5.4 million

* - includes long-range facility and equipment replacement plans, technology support and safety, curriculum and instructional resources

Closing 2018-19 Gaps

- Froze funding: long-range facility maintenance and remodeling plan and long-range equipment replacement plan (not digital learning)
- Through restructuring, attrition and general reductions, eliminated staff positions in central office, buildings and grounds, and teaching and learning, resulting in \$460,000 in savings (salary and benefits)
 - one district custodial/maintenance position
 - one district receptionist
 - one district administrative assistant
 - one district administrator in business office
 - one instructional coach

Closing 2018-19 Gaps

- 1 percent staff raise - half originally budgeted amount - and administrators zero raise; reduced expenditures by approx. \$300,000
- Further defunded buildings and grounds and curriculum and instruction budgets by \$150,000 each

**Total reductions heading into 2018-19
fiscal year:
\$1.1 million**

Summer 2018 Projections

Year	Structural Deficit	Long-Range Planning*	Total
2018-19	\$251,225	\$3,550,000	\$3.8 million
2019-20	\$2,069,635	\$3,350,000	\$5.4 million
2020-21	\$1,157,341	\$3,350,000	\$4.5 million
2021-22	\$554,730	\$3,460,000	\$4.0 million
2022-23	\$988,165	\$3,350,000	\$4.3 million

* - includes long-range facility and equipment replacement plans, technology support and safety, curriculum and instructional resources

More Action Taken

More Action Taken

- Unexpected 2017-18 surplus
 - Better-than-expected insurance costs
 - Reduced / froze budgets across district
- Reduced additional instructional coaching positions
- Refinanced debt
 - \$244,000 this year, \$187,000 each of next three
- Health care benefit offerings changes (\$500,000 annually)

More Action Taken

- Received \$180,000 in state school safety grants
- \$185,000 property sale (all excess properties now sold)
- Membership (general enrollment and summer school) higher than expected for revenue limit change
- Other: reduction in middle school sports; eliminated Mandarin program; increased student fees

Education Foundation of New Berlin

- New Berlin Education Foundation - to support “Margin of Excellence” or extras
 - Additional grants, non-tax revenue
 - Fundraising / capital campaigns



EDUCATION FOUNDATION

OF NEW BERLIN

- www.efnb.org
- www.facebook.com/educationfoundationofnewberlin
- twitter.com/EFNewBerlin

What Else Has Happened?

Other Changes

- Decrease in enrollment was 24 (we predicted 59)
- Decrease in revenue limit membership was 31 (we predicted 52)
- Increase in property value was 4.1% (we predicted 3%)

Results for Taxpayers

- Property tax decrease of \$953,925 to \$50,791,524
- -1.8% tax levy decrease
- Tax decrease of \$155 for home valued at \$250,000

10-Year Tax History

Year	Equalized Value	Change	Tax Levy	Change	Tax Rate / \$1,000	Change
2008-09	\$4,460,062,936		\$43,452,788		\$9.74	
2009-10	\$4,478,311,693	0.41%	\$44,230,997	1.79%	\$9.88	1.38%
2010-11	\$4,387,266,137	-2.03%	\$45,957,743	3.90%	\$10.48	6.06%
2011-12	\$4,360,177,398	-0.62%	\$45,278,754	-1.48%	\$10.38	(0.87%)
2012-13	\$4,212,589,405	-3.38%	\$46,356,030	2.38%	\$11.00	5.97%
2013-14	\$4,159,800,176	-1.25%	\$47,490,440	2.45%	11.42	3.75%
2014-15	\$4,328,411,397	4.05%	\$49,142,016	3.48%	\$11.35	(0.55%)
2015-16	\$4,428,088,120	2.3%	\$49,692,034	1.12%	\$11.22	(1.16%)
2016-17	\$4,566,665,526	3.13%	\$50,973,224	2.58%	\$11.16	(0.53%)
2017-18	\$4,779,770,578	4.67%	\$51,745,449	1.51%	\$10.83	(3.01%)
2018-19	\$4,977,053,088	4.13%	\$50,791,524	-1.84%	\$10.21	(5.73%)

Highlights

- Tax rate has decreased last six years
- 2018-19 rate is lowest since 2009-10

SDNB Revenue Sources

Local taxpayers

- 81% of revenue | \$51.7 million

State aid

- 10% of revenue | \$6.5 million

Where does other 9% come from?

- Federal government
- Other sources

Wisconsin's school funding formula is complicated!

It is important to note that "property-rich" districts, like SDNB, receive a higher percentage of revenue from local taxpayers than state aid.

Key Takeaways

- Recent actions yielded short-term results, such as elimination of 2018-19 structural deficit, but most are not sustainable
- Took into consideration concerns / recommendations / suggestions of BOE, community and staff
- Still must address long-range funding needs

Structural Deficit Projections

Year	2019-20	2020-21	2021-22	2022-23	2023-24
Deficit Amount	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371
Cumulative		\$3,182,326	\$3,889,097	\$5,447,672	\$6,776,043

Updated Projections

Year	Structural Deficit[^]	Long-range Planning[*]	Total	Total w/ Cumulative Structural Deficit
2019-20	\$2.3 million	\$3,350,000	\$5.7 million	\$5.7 million
2020-21	\$900,000	\$3,350,000	\$4.3 million	\$6.7 million
2021-22	\$700,000	\$3,460,000	\$4.2 million	\$7.4 million
2022-23	\$1.6 million	\$3,350,000	\$5.0 million	\$8.8 million
2023-24	\$1.3 million	\$3,350,000	\$4.7 million	\$10.1 million

[^] - rounded to nearest \$100,000

^{*} - includes long-range facility and equipment replacement plans, technology support and safety, curriculum and instructional resources

Outlook

Outlook

- 10 years of debt within operating budget remain
- Minimal preventative maintenance occurring: reactive vs. proactive
 - Roof, asphalt needs
- Minimal funds for contingencies or acute issues (e.g. Eisenhower wall issue totaling \$1.2 million, Eisenhower roof drain TBD, both tracks, both baseball fields, etc.)
- Expected cost increases for school safety; tech infrastructure and security; student transportation
- Minimal funds for furniture / equipment
- Student / teacher resources, including core curriculum and resources, will become outdated and / or need replacing

What's Next?

Board Decisions

Potential Reductions

- Continued spending of fund balance
- Further reduction of student programming and / or co-curricular options
- Increase class sizes
- Elementary and / or secondary school consolidation

Potential Revenues

- Virtual charter school
- Solar energy pilot opportunity
- Operational referendum (spring 2019?)

Board Decisions

Continued Spending of Fund Balance

- Currently \$9.4 million; could use for one year without policy change
- One-time benefit; expenses carry over to next year
- Would increase district's need for short-term borrowing
- Has adverse impact on district's credit rating and available funds for acute issues

Year	2019-20	2020-21	2021-22	2022-23	2023-24
Deficit*	\$2.3 mil.	\$3.2 mil.	\$3.9 mil.	\$5.6 mil.	\$6.9 mil.
Fund Balance	\$7.2 mil.	\$4.0 mil.	\$100K	N/A	N/A

* - does *not* include long-range facility and equipment replacement plans, technology support and safety, curriculum and instructional resources

Board Decisions

Elementary and / or secondary consolidation

- Secondary schools: \$900,000 to \$1 million approximate annual savings
 - Restructuring: one middle school / one high school
 - Fewer extra- and co-curricular opportunities for students
- Elementary schools: \$500,000 to \$800,000 approximate annual savings
 - Increased class sizes
- For planning, consolidation decisions need to be made as soon as possible
 - Start of 2019-20 budget year is less than 6 months away
 - Start of 2019-20 school year is less than 8 months away

Board Decisions

Operational Referendum

An additional \$5 million annually would be used for three major purposes:

- Allow District to erase structural deficits by paying toward debt within the operating budget;
- Allow District to remain proactive in terms of funding long-range plans, which includes facilities and equipment replacement, safety, technology infrastructure and support, and curriculum and instructional resources;
- Allow District to continue to pay employees fair and competitive wages to attract and retain highest-quality staff possible

Board Decisions

Operational Referendum

Q: Is an operational referendum new debt?

A: No. An operational referendum allows a district to raise the revenue limit in order to pay for regular operations. A facilities referendum allows a district to raise additional tax revenue to pay off long-term debt for construction costs, usually in the form of 20-year bonds.

Board Decisions

Operational Referendum

Q: Why would the Board seek a 5-year referendum vs. a 10-year?

A: There are many reasons. First, enrollment and other financial projections become much less accurate to predict beyond five years. There can be changes in the economy, state legislation and more that could affect the district's financial outlook.

Also, a 5-year referendum would give the district the opportunity to show the taxpayers we are doing what we said we would do with the additional funds while maintaining the level of excellence expected of us.

Additional Funding Authority - \$5 Million

Year	Tax Levy	% Change	Mill Rate	% Change	Add'l. Cost Per \$250,000 Home*
2019-20	\$54,332,910	6.97%	\$10.60	3.82%	\$97.50
2020-21	\$54,545,572	0.39%	\$10.33	-2.55%	-\$67.50
2021-22	\$55,158,727	1.12%	\$10.19	-1.36%	-\$35.00
2022-23	\$54,951,571	-0.38%	\$9.91	-2.75%	-\$70.00
2023-24	\$54,764,123	-0.34%	\$9.63	-2.83%	-\$70.00

* - estimates

Hypothetical Scenarios for Discussion Purposes

Scenario 1: Do Nothing

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
Cumulative	\$2,270,415	\$3,182,326	\$3,889,097	\$5,447,672	\$6,776,043	(\$21.6 mil)

Scenario 2: Cut \$500,000 Per Year

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
Budget Cut	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	
Long-Range	\$0	\$0	\$0	\$0	\$0	
Cumulative	\$1,770,415	\$2,682,326	\$3,389,097	\$4,947,672	\$6,276,043	(\$19.1 mil)

Scenario 3: Use Fund Balance Only

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
Cumulative	\$2,270,415	\$3,182,326	\$3,889,097	\$5,447,672	\$6,776,043	
Long-Range Plans	\$0	\$0	\$0	\$0	\$0	
Fund Balance (Start)	\$9,423,198	\$7,152,783	\$3,970,457	\$81,360	(\$5,366,312)	
Fund Balance (End)	\$7,152,783	\$3,970,457	\$81,360	(\$5,366,312)	(\$12,142,355)	(\$12.1 mil)

Scenario 4: Use Fund Balance & Cut \$500,000

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
Budget Cut	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	
Cumulative	\$1,770,415	\$2,682,326	\$3,389,097	\$4,947,672	\$6,276,043	
Long Range Plans	\$0	\$0	\$0	\$0	\$0	
Fund Balance (Start)	\$9,423,198	\$7,652,783	\$4,970,457	\$1,581,360	(\$3,366,312)	
Fund Balance (End)	\$7,652,783	\$4,970,457	\$1,581,360	(\$3,366,312)	(\$9,642,355)	(\$9.64 mil)

Scenario 5: Operational Referendum Starting in 2019

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
Cumulative	\$2,270,415	\$3,182,326	\$3,889,097	\$5,447,672	\$6,776,043	\$21.6 mil.
Long-Range Plans	\$685,000	\$685,000	\$685,000	\$685,000	\$685,000	\$3.425 mil.
Referendum	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$25 mil.
Fund Balance (Start)	\$9,423,198	\$11,467,783	\$12,600,457	\$13,026,360	\$11,893,688	
Fund Balance (End)	\$11,467,783	\$12,600,457	\$13,026,360	\$11,893,688	\$9,432,645	

Scenario 6: Operational Referendum Starting in 2020

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
Cumulative	\$2,270,415	\$3,182,326	\$3,889,097	\$5,447,672	\$6,776,043	\$21.6 mil.
Long-Range Plans	\$0	\$685,000	\$685,000	\$685,000	\$685,000	\$2.74 mil.
Referendum	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$20 mil.
Fund Balance (Start)	\$9,423,198	\$7,152,783	\$8,285,457	\$8,711,360	\$7,578,688	
Fund Balance (End)	\$7,152,783	\$8,285,457	\$8,711,360	\$7,578,688	\$5,117,645	

Scenario 7: Consolidation / Redistricting & Fund Balance 2019-20

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
School Savings	(\$1,800,000)*	(\$1,800,000)*	(\$1,800,000)*	(\$1,800,000)*	(\$1,800,000)*	(\$9.0 mil.)
Cumulative	\$470,415	\$1,382,326	\$2,089,097	\$3,647,672	\$4,976,043	\$12.6 mil.
Long-Range Plans	\$0	\$0	\$0	\$0	\$0	
Fund Balance (Begin)	\$9,423,198	\$8,952,783	\$7,570,457	\$5,481,360	\$1,833,688	
Fund Balance (End)	\$8,952,783	\$7,570,457	\$5,481,360	\$1,833,688	(\$3,142,355)	(\$3,142,355)

* assumes maximum projected savings; does not take into account phasing, transition costs, 2019-20 contracts, etc.

Scenario 8: Consolidation / Redistricting & Fund Balance 2020-21

Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total Deficit
Deficit	\$2,270,415	\$911,911	\$706,771	\$1,558,575	\$1,328,371	
School Savings	\$0	(\$1,800,000)*	(\$1,800,000)*	(\$1,800,000)*	(\$1,800,000)*	(\$7.2 mil.)
Cumulative	\$2,270,415	\$1,382,326	\$2,089,097	\$3,647,672	\$4,976,043	\$14.4 mil.
Long-Range	\$0	\$0	\$0	\$0	\$0	
Fund Balance (Begin)	\$9,423,198	\$7,152,783	\$5,770,457	\$3,681,360	\$33,688	
Fund Balance (End)	\$7,152,783	\$5,770,457	\$3,681,360	\$33,688	(\$4,942,355)	(\$4,942,355)

* assumes maximum projected savings; does not account for phasing, transition costs, etc.



BOARD DISCUSSION