

Slide 1 Budget Presentation Script

Eric

Hi, I'm Eric Olson, President of the Kenosha Unified School District School Board. Joining me for this presentation is Dr. Scott Pierce, Superintendent of the District and Bill Johnston, the District's financial manager.

These days, financial concerns regarding taxes, spending, funding and contracts touch all of our lives. You the taxpayer support the school district here in Kenosha. You have a right to know if your money is being spent wisely. You need to know where the money comes from and where the money goes. We hope that walking you through the budget process helps in your understanding.

Slide 2 During the next few minutes, we will talk about:

- **Timing and involvement in the Budget process**
- **Budget factors**
- **Where we get our money**
- **The Funding balance of our District and why it's important**
- **Then the actual numbers from the 2004-2005 school year budget**

Slide 3 Like every year, we start at the beginning of the year to elicit opinions on the budget from the folks we call Stakeholders. These people include teachers, administrators, community leaders, union leaders and interested citizens. From these meetings, a list of possible reductions or increases, are forwarded to the staff for possible inclusion on the list of budget assumptions.

Slide 4 The suggestions were across the board--administration, classrooms, libraries. The key for this Board was to do everything possible to avoid negatively affecting classrooms. But as you'll see, when most of the cost is in the classroom, then eventually the cuts will affect that area too.

Slide 5 Finally, we begin the process to form our budget. Keep in mind that Third Friday count. It is a major factor in the amount of money we will have to spend.

What are the factors? The number of students affect how much money the State will give us. Revenue limits determine how much property tax we can charge. The State Budget tells us how much per student we will get from them. And of course, contract settlements affect the dollars we will spend.

Slide 6 Let's look at our enrollment. Over the last 10 years we have averaged 362 new students per year into our schools. We're the 3rd largest district in the State.

Slide 7 Over the next 10 years we project another 2,380 new students. Now the State does pay us money for each new student. As you'll see, what they pay us is a portion of what it costs to educate that child. In addition, we, as a community, have to provide classrooms for all these new children. That's where the dirty word "referendum" creeps in.

Dr. Pierce will now go over changes that have occurred in the State.

Thank's Eric.

Slide 8 A major change in the last few years was the change in the 2/3 commitment in funding from the State. As you'll see, this means more comes from the local taxpayer. It also forces us to tighten our belt, as you'll see. There has also been a reduction in State funding for other programs. These have included a drop in Special Education aid, elimination of computer grants and dropping any driver ed assistance.

Slide 9 As these charts show, there has been a general decrease in State dollars followed by the inevitable rise in local tax levies.

Slide 10 Another factor is Revenue Limits. The State has put a limit on Kenosha tax revenues of 3.14%. While this may be fine for Districts that are stable or decreasing in population, for Kenosha, our exploding student population results in increased expenditures. It's this middle area that we have to make up in cuts.

Slide 11 By law, the School Board must produce a balanced budget. Unlike the Federal Government, we can't mint money nor can we run up a deficit. That means that over the last 4 budget cycles, even though

Slide 12 we have increased our student population, we have had to cut dollars out of the budget in order to be balanced. This, in the face of increasing health care costs from our provider. So for the 2001-2002 budget, we cut out \$4.6MM in costs while absorbing a 20% increase in our health care costs.

Slide 13 In fact, the health care costs for the District have doubled from \$20MM in the year 2000 to over \$40MM next year.

Slide 14 As was said earlier, we have tried to cut from the budget, anything that did not directly affect the classroom. In 2002 besides these ESC staffing cuts, the Board also cut cell phone usage, travel, custodians and staff development.

Slide 15 In 2003, more ESC staff cuts, plus more travel, cut administrative wages and reduced transportation.

Slide 16 In 2004 we did not hire a replacement for a departed Director of Business Services as well as cut administrative budgets, reduced cleaning schedules at the ESC, cut ESC discretionary budgets and also school discretionary budgets.

Slide 17 And in this budget we have already cut these positions as well as bus monitors, administrative budgets and over 50 teaching positions.

Now let's have Bill Johnston look at revenues.

Thanks Scott,

Slide 18 As you see, most of the money comes from right here in Wisconsin. The biggest chunk is from State aid while less than 30% comes from your property tax.

Slide 19 Or a more graphic way to show the revenue.

Slide 20 For property taxes, the money is determined by a mill rate, which is the dollars taxed per every \$1,000 that the property is worth. The District's mill rate was \$9.06 per \$1,000 for this year. You can see that the mill rate has remained relatively stable since 2000. It has risen less than 5% total since then.

Slide 21 One major increment of the budget this year is the \$1MM we are adding to our fund balance. A fund balance is your "rainy day fund". Not having an adequate fund balance means higher interest rates paid when the District borrows money. It means no money available for catastrophic occurrences such as a school fire, a fallen roof or a blown boiler. It means no furniture or teachers if there is an unexpected influx of students.

Slide 22 In short, an inadequate fund balance can cause some Districts to go bankrupt. This Board has made a commitment to the long-term financial stability of the District to make up for the decreases we have seen since the year 2000. The \$1MM a year we put into the fund ensures we pay less to borrow money and we have a reserve fund for emergencies.

Eric Olson will walk you through our expenses.

Appreciate it Bill.

Slide 23 Our total budget for this year is almost a quarter of a billion dollars. We have over 1700 teaching positions and over 85% of our budget is wages and benefits.

Slide 24 Let's look at just wages. Teacher groups out in the schools account for 79% of all wages paid in the district. Then we have the people working in the schools. These are Principals, custodians and secretaries. This is about 12% of the total. Then we have other secretaries; the folks who maintain and protect our computers and other technical providers. This is another 7%. Finally we have the District Administrators. This is just 2% of our total salary cost.

Slide 25 Another look at this is the breakdown by staff numbers. As you can see, the total number of administrators is the lowest number. These are the people who do the hiring, do background checks, and write the required State and Federal reports. In short, they run this \$248MM District and make sure we are spending our money wisely and the schools are being run right.

Slide 26 Here is another breakdown of the numbers. Well over 90% of our personnel are in the schools.

Slide 27 For the total compensation number of \$171MM, the largest percent is salaries while insurance takes up 21% of the total and retirement benefits take up the rest of the pie.

Slide 28 Again, looking at total compensation by group, the teachers and educational assistants in the classrooms are the majority of the money followed by school administrators, clerical and technical and lastly District administrators.

Slide 29 To break down teacher compensation, they received over \$128MM this year. Their salaries were 64% of the total while insurance and benefits were 36%.

Slide 30 ESC administrators are 2% of the budget or \$2.6MM. The breakdowns differ slightly due to generally higher pay that this group receives.

Bill Johnson will take you through some of our Revenue budget.

Slide 31 Thanks. We spend just over \$9,500 per pupil in the District. About 66% comes from State funding; 32% is from local taxes and income; while 4% is received from the Federal Government mostly in the form of Grants.

Slide 32 On the expenditure side, over 85% of the \$9,500 goes toward salaries and benefits. Operating expenses are over 8%. This includes utilities, bus routes and purchased services. On the equipment side, the 5.38% total includes furniture, books, and building maintenance. Please note that debt service, payment for new buildings in the District, is just .15 of a percent. We'll touch on this later.

Slide 33 Benefits for employees is a major portion of our per pupil cost. Over \$1,800 of the \$9,500 total is for health care. We all know that health care costs are rising across the nation. We are no exception. So we need to get a better handle on these costs and reverse this trend so that we can put more money back into our classrooms and less into health care providers.

Slide 34 By function, we can see that 80% of our overall expenditures goes into the classroom. Administration, including school administrators and secretaries, is 7%. Other student support like nurses, instructional specialist and special ed is 7% while staff development, an important tool to make sure all of our teachers learn and retain great teaching techniques, is another 6%.

Dr. Pierce, would you care to explain the debt service and referendum.

Sure Bill, thanks.

Slide 35 The Board has approved a building project that is clearly needed but more importantly can be achieved without increasing any property taxes. The first part of the project will be the expansion of an existing elementary school in Pleasant Prairie and a new elementary school on the West side of Kenosha. Both areas have been hard hit by a huge influx of new housing. All of our schools that now serve these areas are severely overcrowded. One school alone has more than 200 students above it's capacity. And more homes are being built every day. We also have a safety and equity concern regarding our high school athletic facilities. Both high schools were built in the 70's and were built with only boys' sports in mind. Now with the phenomenal growth and success in girls' athletics, we need to expand the amount of space we have to ensure that accidents do not occur and that everybody has equal access to adequate training space.

Slide 36 To do this, we looked at the existing debt service payments the District now makes. Remember, the payments today are a fraction of our overall expenditures. However, starting in 2006, our payments will start to decrease by roughly \$500,000 per year. This means that these projects will not increase taxes.

Slide 37 Actually, as this chart shows, by agreeing to this referendum, we can build the schools, make our athletic facilities safe and fair, and still be able to see a reduction in debt service. This is just too good of a deal to pass up. It gives us room for children while not increasing taxes.

We'll put out more information later this summer. To conclude we'll bring Eric Olson back to wrap up.

Thanks to both Dr. Pierce and Bill Johnston for gathering all of this information.

Slide 38 The reason for this presentation was to keep you, the taxpayers, informed about the District's finances. You have seen that due to revenue limits and budgetary constraints, we have had to make many cuts over the last 5 years. We will have to make more cuts in the years ahead.

The various Boards that I have served on have tried to be fair and balanced in how we run this District financially. In addition, we are also trying to be prudent and fiscally responsible in order to have a financially secure District for years to come. By putting money into building maintenance, building up a fund balance and by being conservative in preparing this year's budget, we will avoid the serious situations that many of the Districts in Wisconsin are now in. To put it succinctly, Kenosha Schools are in good financial shape.

We'll do our best to keep it that way.

If there are any questions, please feel free to call us. Thank you.