

Public Hearing of the Kenosha Unified School District Proposed 2017-18 Budget



Presented by:

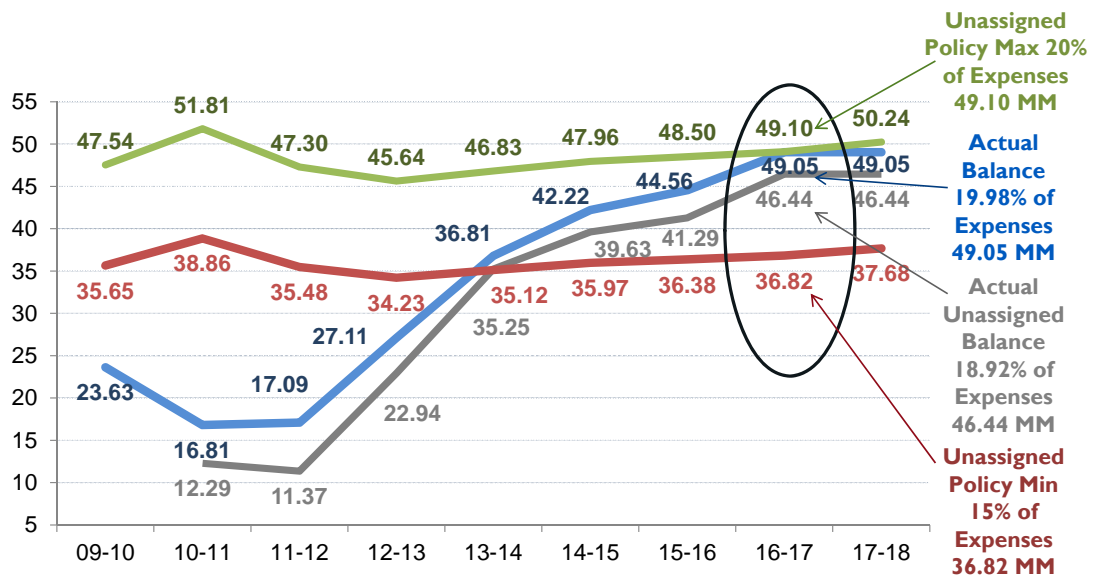
Tarik Hamdan
Chief Financial Officer

September 19, 2017

2017-18 Proposed Budget General Fund (10)

GENERAL FUND (FUND 10)	Audited 2015-2016	Unaudited 2016-2017	Proposed 2017-2018
Beginning Fund Balance	42,222,192	44,557,313	49,045,390
Ending Fund Balance	44,557,313	49,045,390	49,045,390
REVENUES AND OTHER FINANCING SOURCES			
Operating Transfer-In (Source 100)	131,231	110,461	0
Local Sources (Source 200)	73,394,151	71,535,948	78,575,070
Inter-district Payments (Source 300 & 400)	487,716	610,926	610,000
Intermediate Sources (Source 500)	15,000	15,000	0
State Sources (Source 600)	159,775,352	164,279,890	161,508,105
Federal Sources (Source 700)	10,360,482	10,808,138	10,125,764
All Other Sources (Source 800 & 900)	684,181	2,618,491	377,850
TOTAL REVENUES & OTHER FINANCING SOURCES	244,848,113	249,978,854	251,196,790
EXPENDITURES & OTHER FINANCING USES			
Instruction (Function 100000)	125,357,212	124,321,356	130,323,882
Support Services (Function 200000)	81,453,518	85,801,885	84,498,306
Non-Program Transactions (Function 400000)	35,702,263	35,367,537	36,374,602
TOTAL EXPENDITURES & OTHER FINANCING USES	242,512,992	245,490,778	251,196,790

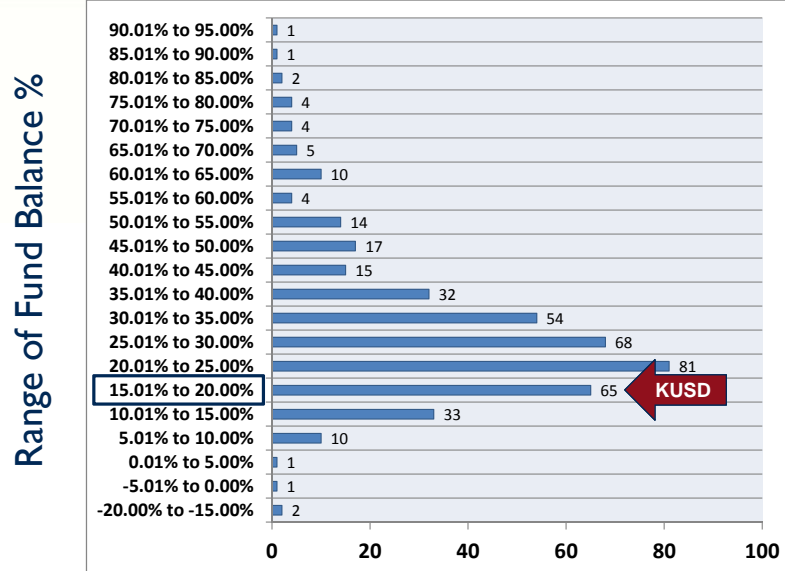
General Fund (10) Ending Fund Balance (millions of dollars)



Fund Balance Analysis (DPI data as of 6/30/16)

- There are 424 districts in the State of Wisconsin
 - The average fund balance was 29.54% of general fund expenses
 - KUSD fund balance was 18.34% of expenses
 - KUSD was ranked 338 out of the 424 districts
- Comparable districts based on enrollment
 - Racine ranked 356 with 17.01%
 - Green Bay ranked 377 with 15.21%
 - Madison ranked 408 with 10.92%
- **KUSD projected 2017-18 general fund beginning balance of \$49 MM is approximately 19.52% of the budgeted expenses**

Fund Balance Analysis of the 424 WI School Districts (DPI data as of 6/30/16)



Financial Status Update (Moody's Ratings)

KUSD →

Global Long-Term Rating Scale	
Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

**Aa3
Positive
Outlook!**

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

KUSD →

US Municipal Short-Term Debt and Demand Obligation Ratings	
MIG 1	This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.
MIG 2	This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.
MIG 3	This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.
SG	This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Source : Moody's Investors Service, https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004 , June 2015

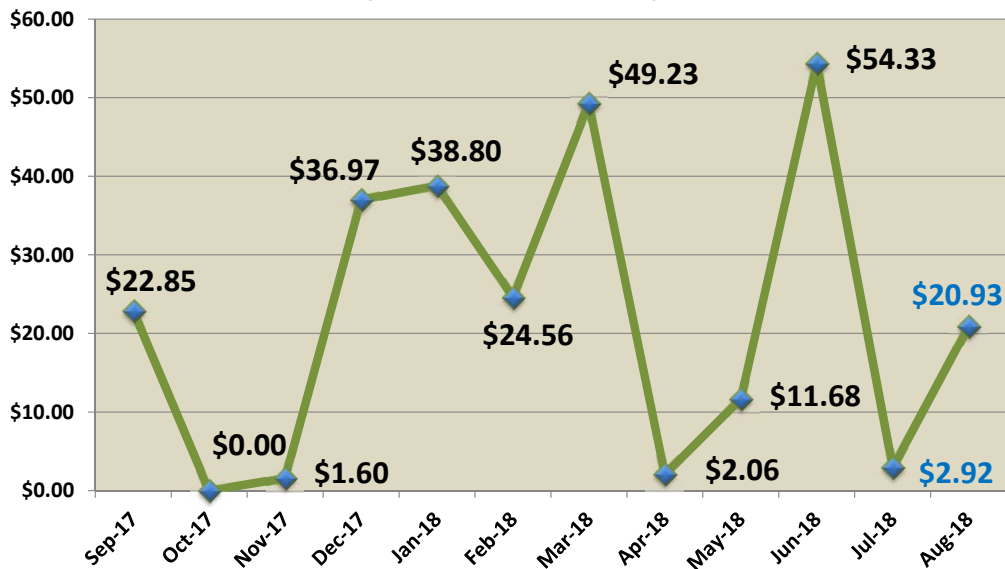
Projected Revenue Collection Calendar 2017-18

Revenue Collection Calendar 2017-2018 (Monthly %)														
	Budgeted	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Total
Tax Levy *	\$93,722,281					39.41%	24.50%		1.30%	12.46%			22.33%	100.00%
Equalization Aid *	\$148,116,578	15.43%			23.88%			24.58%			34.41%	1.70%		100.00%
Tax Exempt Computer Aid	\$402,513											100.00%		100.00%
Categorical Aids														
Special Ed	\$10,670,445			15.00%	15.00%	15.00%	15.00%	15.00%			25.00%			100.00%
Trans Aid	\$260,000					100.00%								100.00%
High Poverty Aid	\$1,463,291							100.00%						100.00%
Per Pupil Aid	\$9,759,600							100.00%						100.00%
Common School Library Aid	\$842,169								100.00%					100.00%
State Tuition Payment	\$150,000										100.00%			100.00%
High Cost SPED Aid	\$550,000										100.00%			100.00%

Revenue Collection Calendar 2017-18 (Monthly \$)														
	Budgeted	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Total
Tax Levy *	\$93,722,281	\$0	\$0	\$0	\$0	\$36,935,951	\$22,961,959	\$0	\$1,218,390	\$11,677,796	\$0	\$0	\$20,928,185	\$93,722,281
Equalization Aid *	\$148,116,578	\$22,854,388	\$0	\$0	\$35,370,239	\$0	\$0	\$36,407,055	\$0	\$0	\$50,966,914	\$2,517,982	\$0	\$148,116,578
Tax Exempt Computer Aid	\$402,513	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$402,513	\$0	\$402,513
Categorical Aids														
Special Ed	\$10,670,445	\$0	\$0	\$1,600,567	\$1,600,567	\$1,600,567	\$1,600,567	\$1,600,567	\$0	\$0	\$2,667,611	\$0	\$0	\$10,670,445
Trans Aid	\$260,000	\$0	\$0	\$0	\$0	\$260,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$260,000
High Poverty Aid	\$1,463,291	\$0	\$0	\$0	\$0	\$0	\$0	\$1,463,291	\$0	\$0	\$0	\$0	\$0	\$1,463,291
Per Pupil Aid	\$9,759,600	\$0	\$0	\$0	\$0	\$0	\$0	\$9,759,600	\$0	\$0	\$0	\$0	\$0	\$9,759,600
Common School Library Aid	\$842,169	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$842,169	\$0	\$0	\$0	\$0	\$842,169
State Tuition Payment	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$150,000	\$0	\$0	\$150,000
High Cost SPED Aid	\$550,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$550,000	\$0	\$0	\$550,000

* Tax Levy (\$93.7 MM) and Equalization Aid (\$148.1 MM) account for 96.2% of the KUSD General Fund Revenues (\$251.2M) for 2017-18

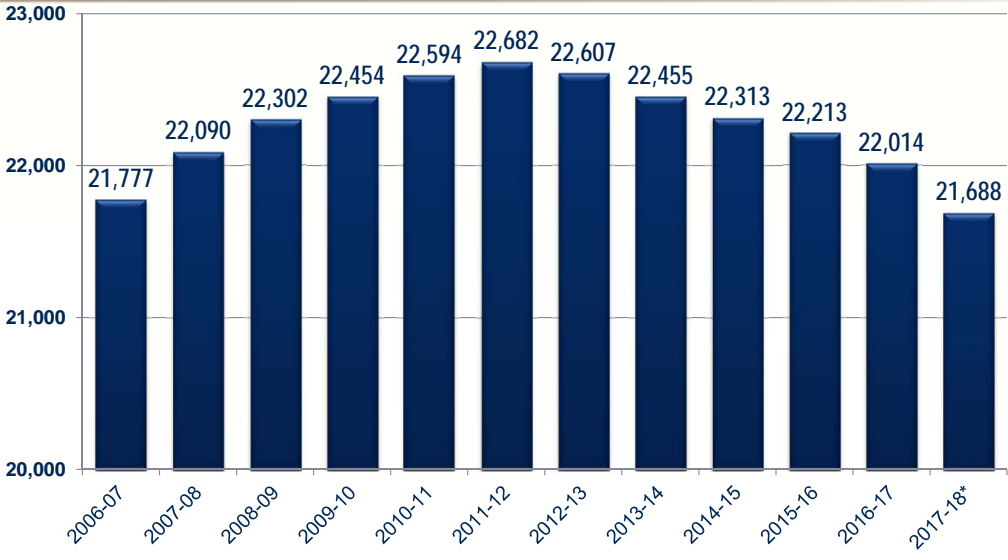
Projected Revenue Collection Calendar 2017-18 (millions of dollars)



Budget Variables

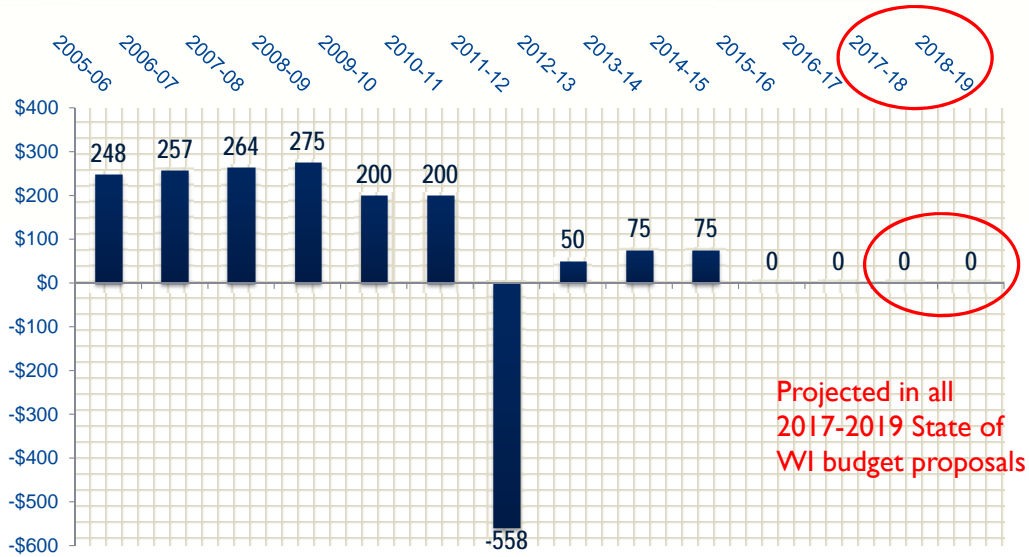
Student Membership	Revenue Limit	Equalization Aid
Open Enrollments	Equalized Property Values	Mill Rate
Debt Expense	Tax Levy	Salaries & Benefits

KUSD Enrollment Trend
(Current 3 Year Average Membership)



*Preliminary

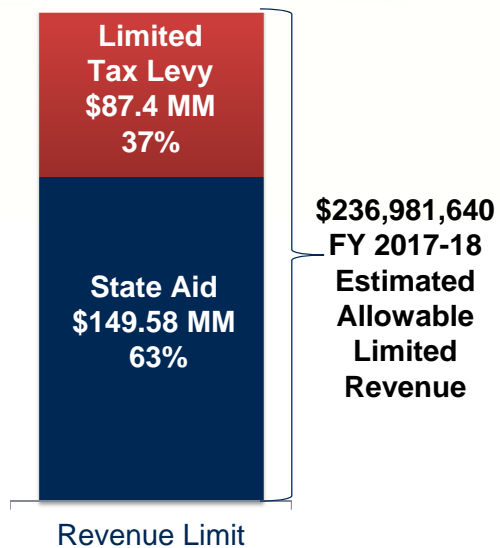
Allowable Per Member Revenue Increase/Decrease



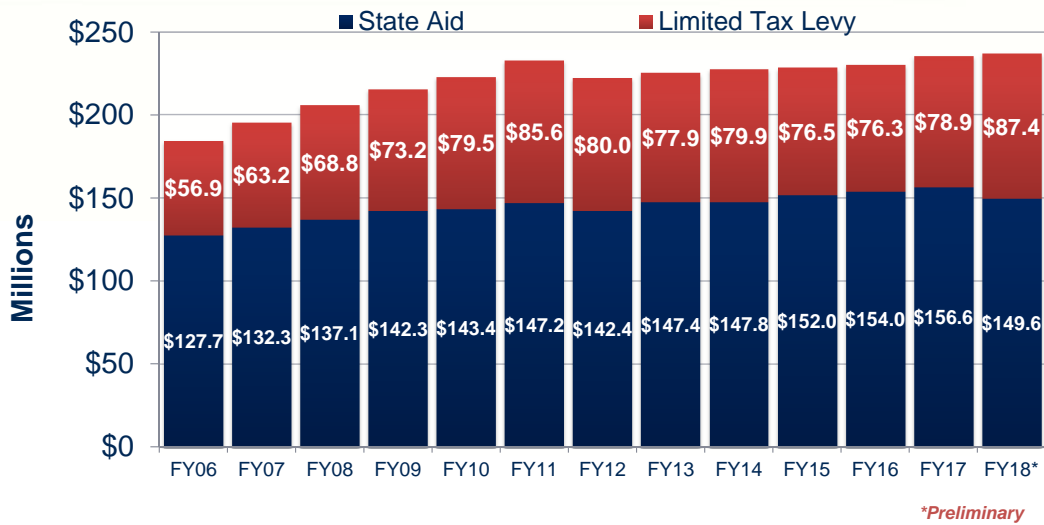
2017-18 Preliminary Revenue Limit Calculation

The district's main revenue sources are restricted by the Revenue Limit formula:

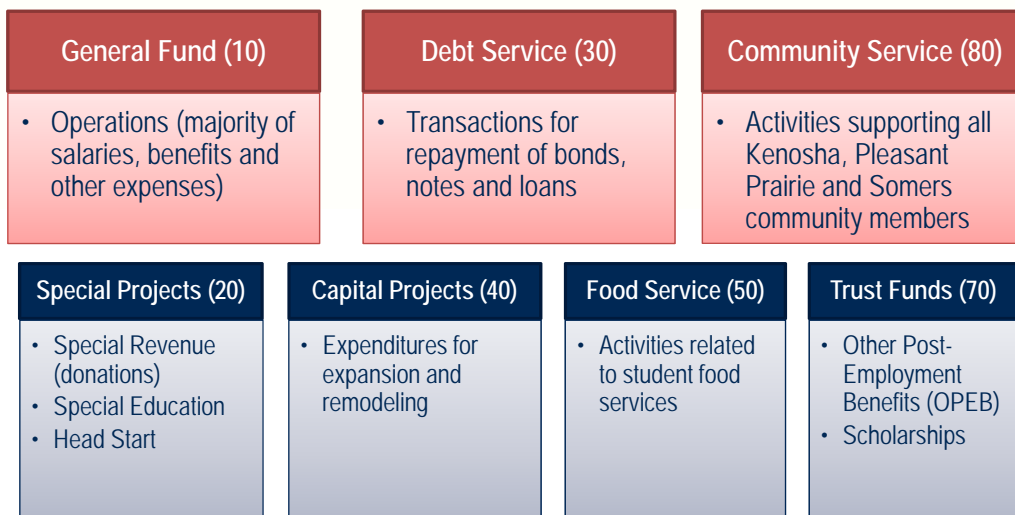
- State Aid is primarily based on prior year's expenses and equalized property value per member (includes High Poverty Aid \$1.46 million)
- Limited Tax Levy is the difference between the Revenue Limit and the projected State Aid



Revenue Limit History



KUSD Fund Structure



Trust Funds (Fund 70)

OPEB (73)

- Other Post Employment Benefits
 - Retiree Health
 - Retiree Dental

Scholarships (75)

- Outside Sources
 - Student Groups
 - Memorials
 - Alumni

OPEB Trust Fund (Fund 73) 2017 Annual Update on Trust Activity

Trust Cash & Investments	\$17,963,040
<i>Return on Investments (earned)</i>	<i>\$104,661</i>

Trust Disbursements:

Insurance Premiums	\$4,711,294
Administrative Costs & Fees	\$27,655
Implicit Rate Subsidy	\$3,988,163
Total Trust Disbursements:	<u><u>\$8,727,112</u></u>

Note: PMA Securities acts as Financial Advisor to the District and the Trust, however, no investment authority has been delegated.

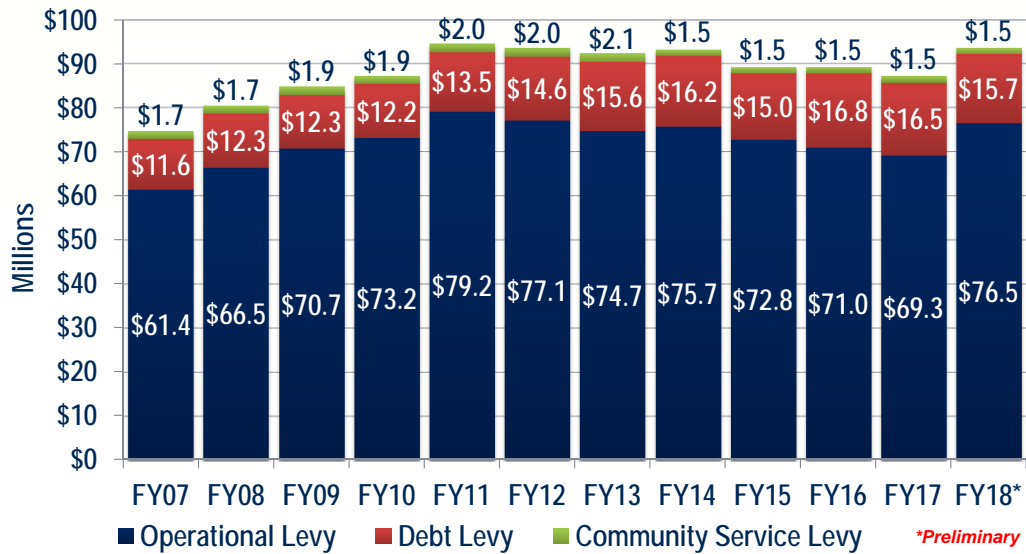
Community Service Funds (Fund 80)

Community and Parent Programs	Recreation Department	Kenosha Senior Center
<ul style="list-style-type: none">• Family Education• Safety Trainings• Parenting Skills Development• Alcohol and Other Drug Awareness (AODA)• Community Outreach• Adult Education<ul style="list-style-type: none">• GED Programs• ESL• Even Start Literacy• Building Our Future	<ul style="list-style-type: none">• Adult Sports<ul style="list-style-type: none">• Softball• Volleyball• Basketball• Youth Summer Programs• Swimming• Kenosha Youth Performing Arts Company (KYPAC)• Summer Classics Theater• Marching Bands<ul style="list-style-type: none">• Black Watch• Rambler	<ul style="list-style-type: none">• Wide variety of popular recreational, educational and social activities• Open to all seniors in our community age 55 and up• Founded in 1970• 1,300 members plus volunteers

Community Service Funds (Fund 80)

Our KUSD Community Service Programs are open to all residents in the City of Kenosha, Village of Pleasant Prairie, and Village and Town of Somers. Programs usually take place outside of the regular instructional day with additional costs being incurred to operate the programs.

Total Tax Levy History



Preliminary Tax Levy Changes

	FY 2015-16	FY 2016-17	FY 2017-18*
Total Tax Levy	0.06% increase	2.36% decrease	7.41% increase
Property Values	3.22% increase	4.47% increase	5.03% increase
Mill Rate	\$10.88 (per \$1,000)	\$10.17 (per \$1,000)	\$10.40 (per \$1,000)
Property Tax on \$200,000 House	\$2,176	\$2,034	\$2,080

Recalculated equalization aid on Oct. 15 will have an impact on these tax levy changes

*Preliminary

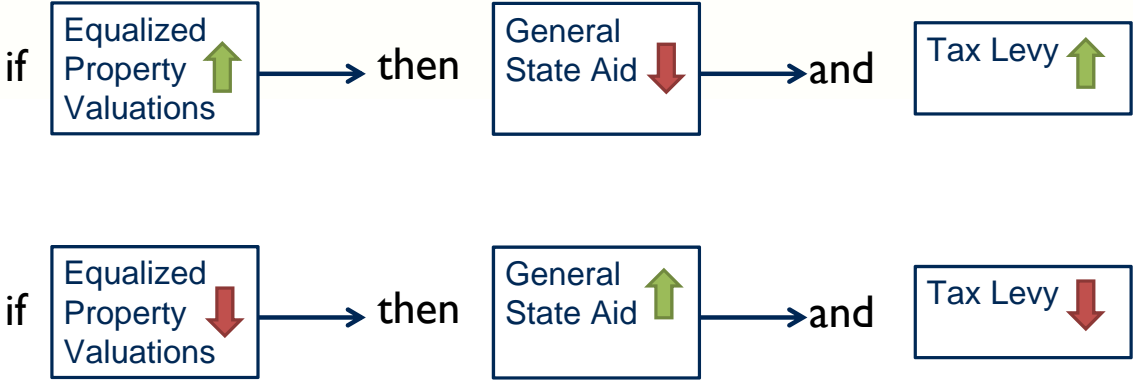
Mill Rate

Mill Rate = the rate of tax for every \$1,000 of property value

$$\frac{\text{Total Tax Levy} \uparrow}{\text{Equalized Property Valuations}} \times 1,000 = \text{Mill Rate} \uparrow$$

$$\frac{\text{Total Tax Levy}}{\text{Equalized Property Valuations} \downarrow} \times 1,000 = \text{Mill Rate} \uparrow$$

Property Values, State Aid and Tax Levy



2017-18 Budget Next Steps

What	When
Finalize Enrollment	3rd Friday of September (15th)
Update Revenue Limit	October 1
Finalize State General Aid	October 15
Finalize Tax Levy	October 15
Finalize Revenue Limit	October 15
Rebalance Budget	October 20
Board Adoption	October 24
Notify Municipalities of Tax	November 10

} ?
Dependent on final State budget adoption and DPI recalculation

Thank You!



KENOSHA UNIFIED
SCHOOL DISTRICT