



Public Hearing of the Kenosha Unified School District Proposed 2019-20 Budget



Presented by:

Tarik Hamdan
Chief Financial Officer

September 17, 2019

2019-20 Proposed Budget General Fund (10)

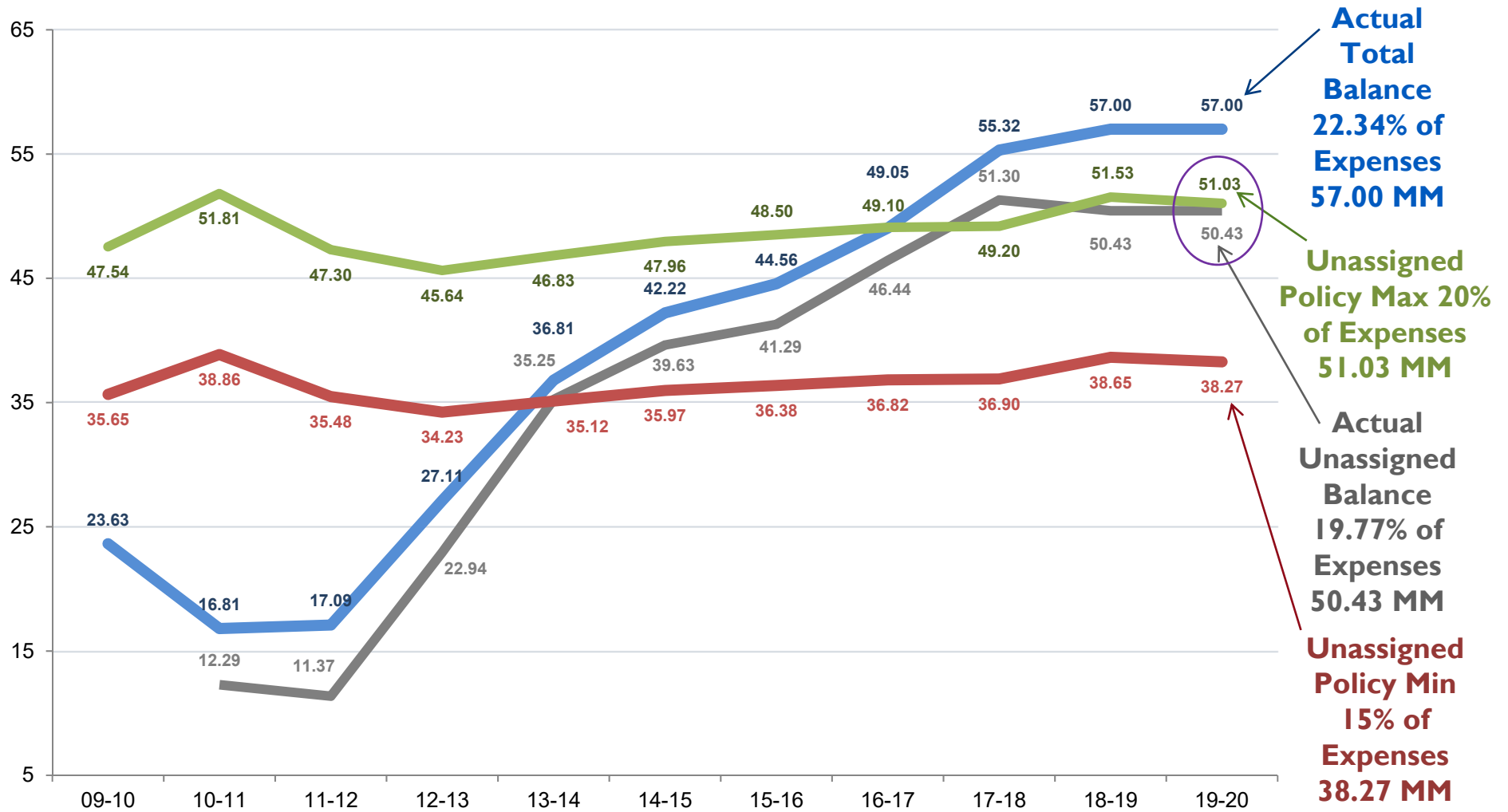
| GENERAL FUND (FUND 10) | | Audited 2017-18 | Unaudited 2018-19 | Proposed 2019-20 |
|--|---|--------------------|----------------------|---------------------|
| Beginning Fund Balance | } | 49,045,390 | 55,315,858 | 57,003,593 |
| Ending Fund Balance | | 55,315,858 | 57,003,593 | 57,003,593 |
| REVENUES AND OTHER FINANCING SOURCES | | | | |
| Operating Transfer-In (Source 100) | | 131,865 | 160,013 | 0 |
| Local Sources (Source 200) | | 76,434,882 | 76,130,606 | 72,988,067 |
| Inter-district Payments (Source 300 & 400) | | 750,339 | 924,205 | 900,000 |
| Intermediate Sources (Source 500) | | 0 | 0 | 0 |
| State Sources (Source 600) | | 164,570,004 | 171,685,296 | 171,630,104 |
| Federal Sources (Source 700) | | 9,564,033 | 9,571,506 | 9,447,039 |
| All Other Sources (Source 800 & 900) | | 803,203 | 868,701 | 189,000 |
| TOTAL REVENUES & OTHER FINANCING SOURCES | + | 252,254,326 | 259,340,327 | 255,154,210 |
| EXPENDITURES & OTHER FINANCING USES | | | | |
| Instruction (Function 100000) | | 126,811,291 | 129,844,387 | 130,904,789 |
| Support Services (Function 200000) | | 83,775,319 | 89,372,571 | 86,284,778 |
| Non-Program Transactions (Function 400000) | | 35,397,247 | 38,435,633 | 37,964,643 |
| TOTAL EXPENDITURES & OTHER FINANCING USES | - | 245,983,857 | 257,652,592 | 255,154,210 |

FY19 \$1.69 MM change in Fund Balance (99.35% of revenues were spent)

Components of Fund Balance

- **Non-spendable Fund Balance** includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or for a contractually imposed purpose by external parties.
 - \$3,896,805 as of 6/30/2019 for inventory and prepaid items
- **Restricted Fund Balance** includes amounts constrained for a specific purpose by external parties.
- **Committed Fund Balance** includes amounts constrained for a specific purpose by a government using its highest level of decision making authority (the Board of Education).
 - \$369,508 as of 6/30/2019 for contracts
- **Assigned Fund Balance** includes general fund amounts constrained for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts (the Chief Financial Officer).
 - \$2,305,039 as of 6/30/2019 for Charter School Reserves
- **Unassigned Fund Balance** is the residual classification for the general fund.
 - \$50,432,241 as of 6/30/2019

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

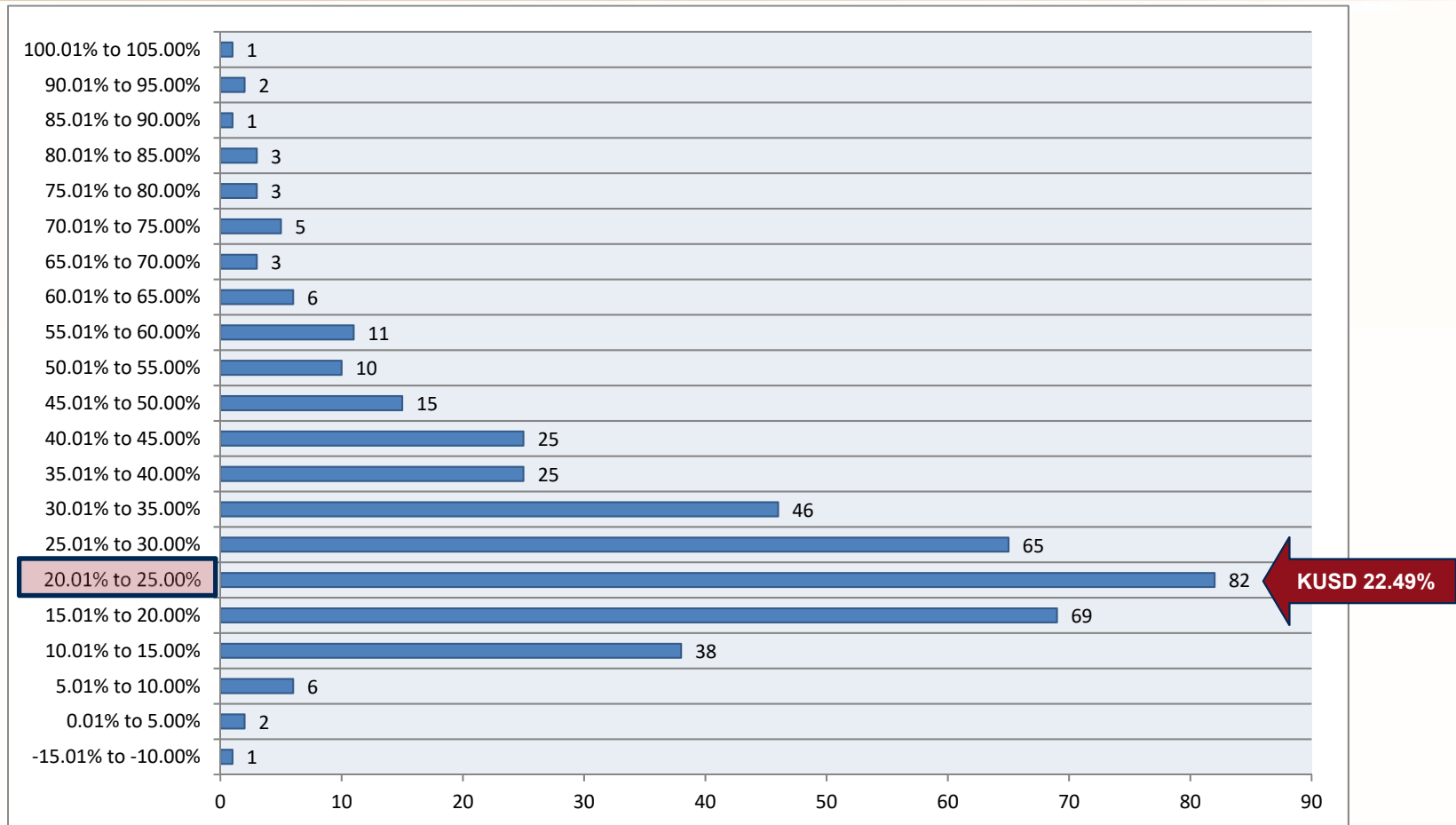


Total Fund Balance Analysis (DPI data as of 6/30/18)

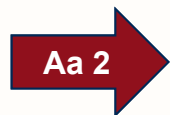
- There were 419 districts in the State of Wisconsin at the time
 - The average fund balance was 29.93% of general fund expenses
 - KUSD fund balance was 22.49% of expenses (7.44% below average)
 - KUSD was ranked #264 out of the 419 districts
- Comparable peer districts based on enrollment
 - Racine ranked #345 with 17.51%
 - Green Bay ranked #348 with 16.89%
 - Madison ranked #379 with 14.57%

Fund Balance Analysis of the 419 WI School Districts (DPI data as of 6/30/18)

Range of Fund Balance %



Financial Status Update (KUSD Moody's Ratings)



| 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. |

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.



| 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 2019-20

| Major Revenue Collection Calendar 2019-2020 (Monthly %) | | | | | | | | | | | | | | |
|---|---------------|--------|--------|--------|--------|---------|--------|---------|---------|---------|---------|---------|--------|---------|
| | Budgeted | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Total |
| Tax Levy * | \$86,164,827 | | | | | 39.50% | 24.50% | | 1.30% | 11.50% | | | 23.20% | 100.00% |
| Equalization Aid * | \$149,659,141 | 14.78% | | | 24.56% | | | 24.59% | | | 34.43% | 1.64% | | 100.00% |
| Tax Exempt Computer Aid | \$389,423 | | | | | | | | | | | 100.00% | | 100.00% |
| Tax Exempt Personal Property Aid | \$1,650,042 | | | | | | | | | 100.00% | | | | 100.00% |
| Categorical Aids | | | | | | | | | | | | | | |
| Special Ed | \$10,800,000 | | | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | | | 25.00% | | | 100.00% |
| Transportation Aid | \$242,361 | | | | | 100.00% | | | | | | | | 100.00% |
| High Poverty Aid * | \$1,425,636 | | | | | | | 100.00% | | | | | | 100.00% |
| Per Pupil Aid * | \$15,645,070 | | | | | | | 100.00% | | | | | | 100.00% |
| Supplemental Per Pupil Aid | \$70,213 | | | | | | | 100.00% | | | | | | 100.00% |
| Common School Library Aid | \$910,000 | | | | | | | | 100.00% | | | | | 100.00% |
| State Tuition Payment | \$190,000 | | | | | | | | | | 100.00% | | | 100.00% |
| High Cost SPED Aid | \$134,000 | | | | | | | | | | 100.00% | | | 100.00% |

| Major Revenue Collection Calendar 2019-20 (Monthly \$) | | | | | | | | | | | | | | |
|--|---------------|--------------|--------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|--------------|-------------|--------------|---------------|
| | Budgeted | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Total |
| Tax Levy * | \$86,164,827 | \$0 | \$0 | \$0 | \$0 | \$34,035,107 | \$21,110,383 | \$0 | \$1,120,143 | \$9,908,955 | \$0 | \$0 | \$19,990,240 | \$86,164,827 |
| Equalization Aid * | \$149,659,141 | \$22,119,621 | \$0 | \$0 | \$36,756,285 | \$0 | \$0 | \$36,801,183 | \$0 | \$0 | \$51,527,642 | \$2,454,410 | \$0 | \$149,659,141 |
| Tax Exempt Computer Aid | \$389,423 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$389,423 | \$0 | \$389,423 |
| Tax Exempt Personal Property Aid | \$1,650,042 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,650,042 | \$0 | \$0 | \$0 | \$1,650,042 |
| Categorical Aids | | | | | | | | | | | | | | |
| Special Ed | \$10,800,000 | \$0 | \$0 | \$1,620,000 | \$1,620,000 | \$1,620,000 | \$1,620,000 | \$1,620,000 | \$0 | \$0 | \$2,700,000 | \$0 | \$0 | \$10,800,000 |
| Transportation Aid | \$242,361 | \$0 | \$0 | \$0 | \$0 | \$242,361 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$242,361 |
| High Poverty Aid * | \$1,425,636 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,425,636 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,425,636 |
| Per Pupil Aid * | \$15,645,070 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$15,645,070 | \$0 | \$0 | \$0 | \$0 | \$0 | \$15,645,070 |
| Supplemental Per Pupil Aid | \$70,213 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$70,213 | \$0 | \$0 | \$0 | \$0 | \$0 | \$70,213 |
| Common School Library Aid | \$910,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$910,000 | \$0 | \$0 | \$0 | \$0 | \$910,000 |
| State Tuition Payment | \$190,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$190,000 | \$0 | \$0 | \$190,000 |
| High Cost SPED Aid | \$134,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$134,000 | \$0 | \$0 | \$134,000 |

* Fund 10 Tax Levy (\$70.1 MM), Equalization Aid (\$149.6 MM), High Poverty Aid (\$1.4 MM), Tax Exempt Aid (\$2 MM) and Per Pupil Aid (\$15.7 MM) account for approximately 94% of the KUSD General Fund Revenues (\$255.2 MM) for 2019-20

Projected Revenue Collection Calendar 2019-20 (millions of dollars)



School Finance Variables

Student
Membership

Revenue
Limit

Equalization
Aid

Open
Enrollments

Equalized
Property
Values

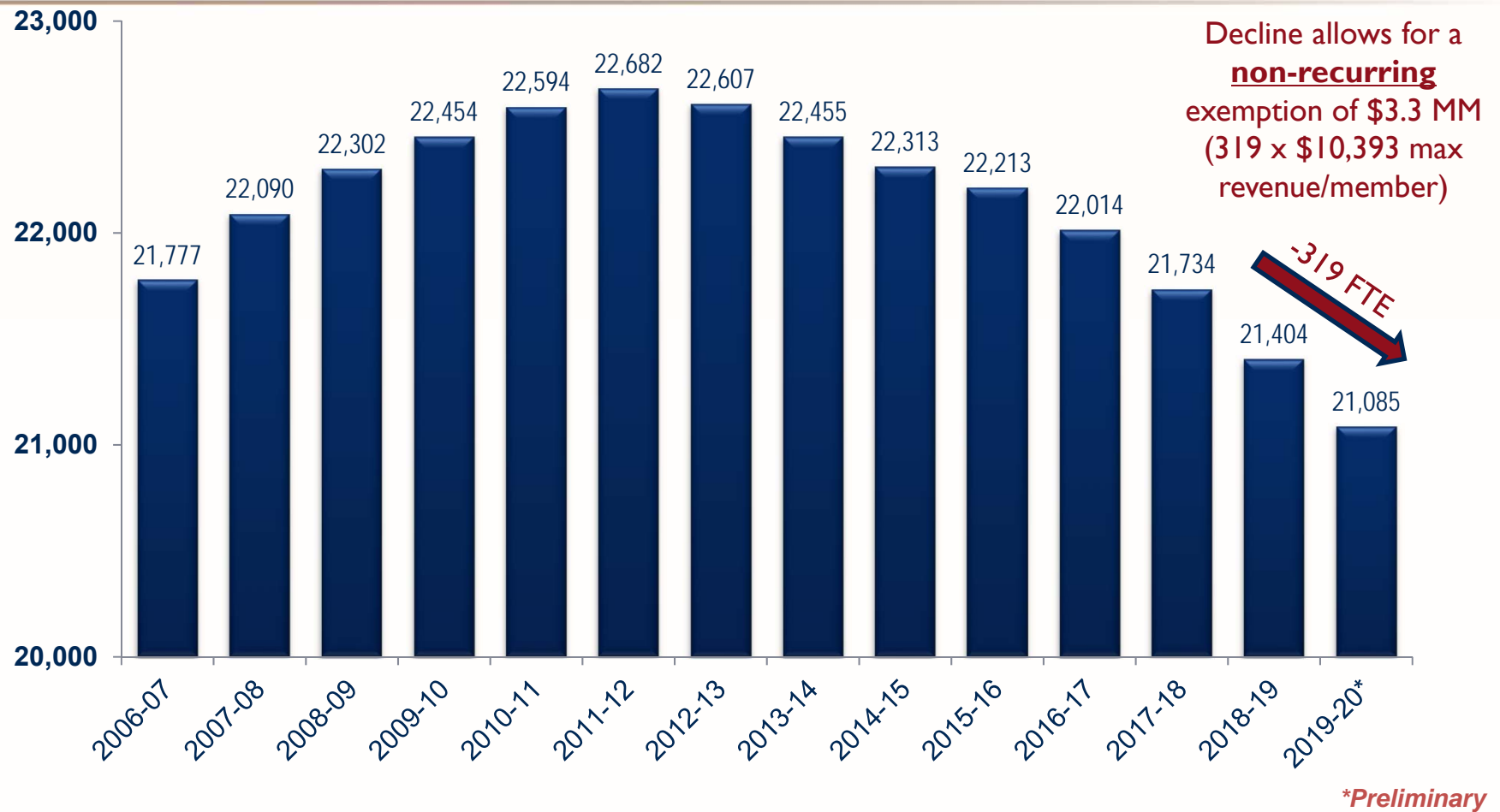
Mill Rate

Debt
Expense

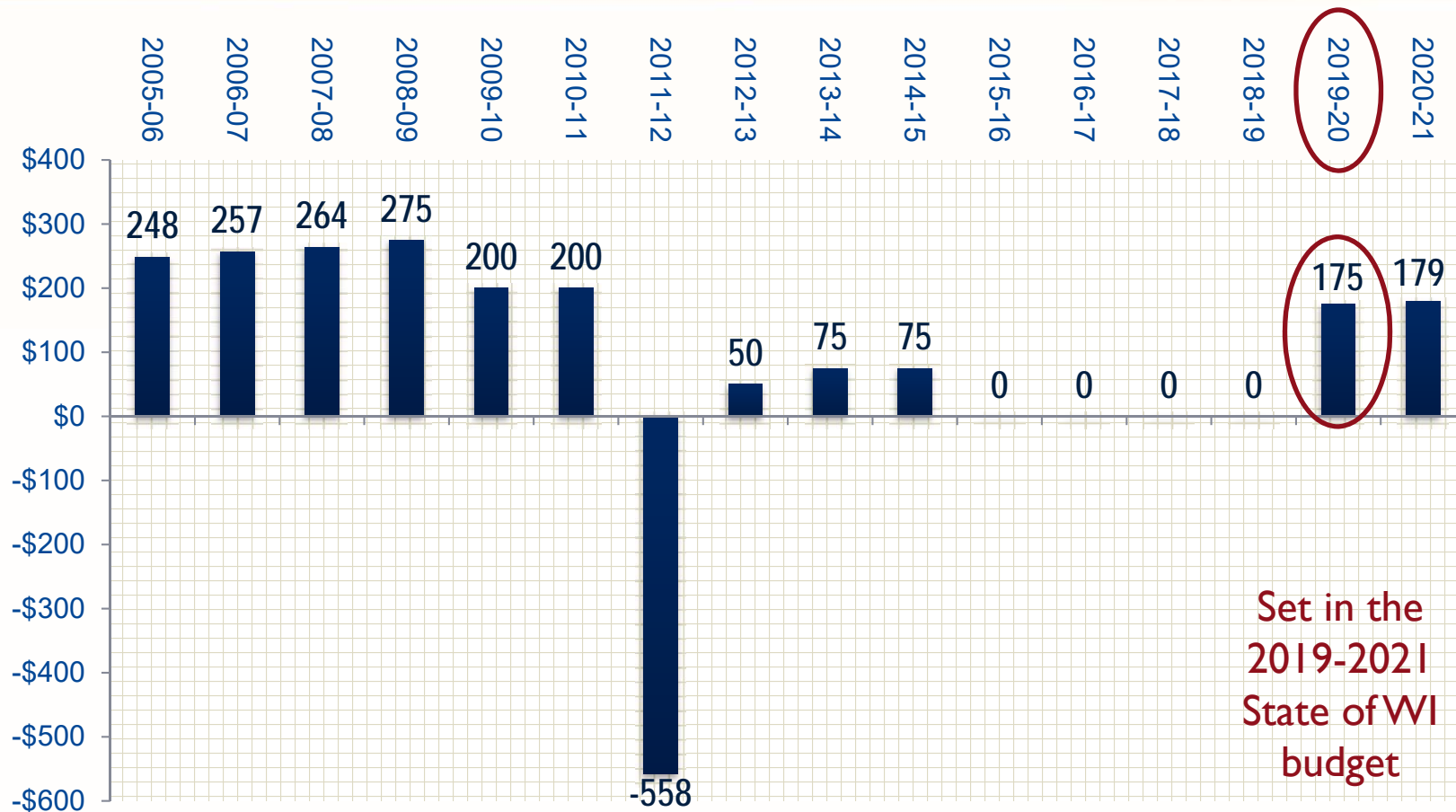
Tax Levy

Salaries &
Benefits

KUSD Enrollment Trend (Current 3 Year Average Membership)



Allowable Per Member Revenue Increase/Decrease



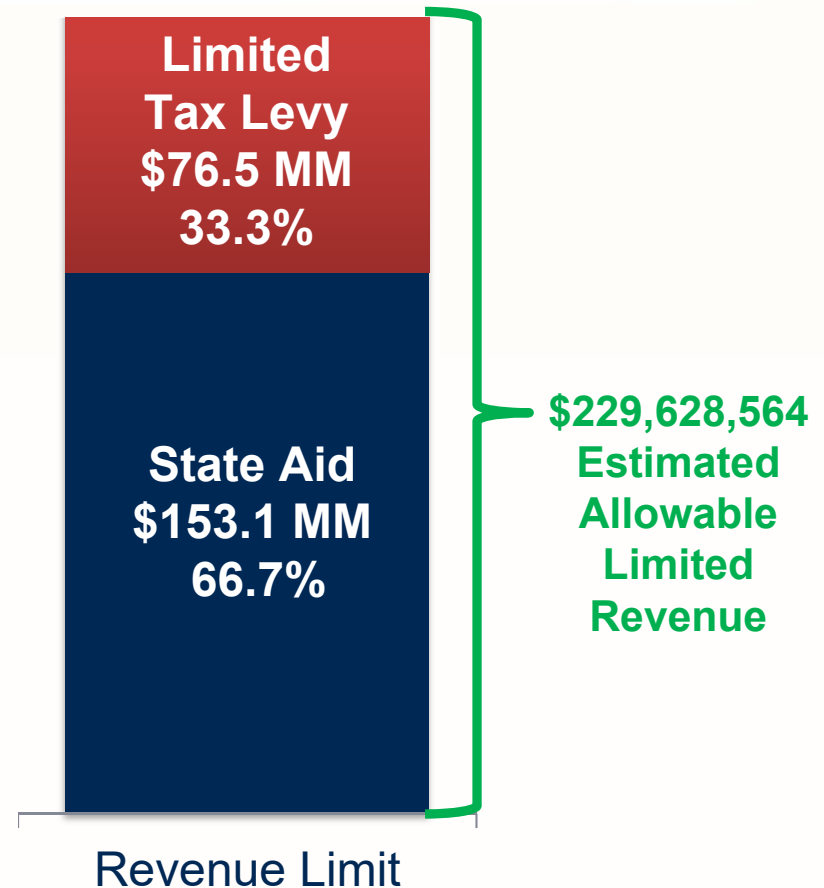
2019-2021 WI Biennial Budget Highlights

- Allowable Per Member (Student) Change
 - 2019-20 = \$175 ↑
 - 2020-21 = \$179 ↑
 - These variables are worked into the Revenue Limit Formula and may impact other items (e.g. Hold Harmless Exemption)
- Per Pupil Categorical Aid (PPCA)
 - 2019-20 = \$88 ↑ (approximately \$1.65 MM)
 - 2020-21 = \$0 ↔
- Supplemental Per Pupil Aid
 - 2019-20 = \$3.33 ↑ (approximately \$70 K)
 - 2020-21 = \$0 ↔
- Special Education Categorical Aid
 - 2019-20 = 26% rate (0.27% ↑) (estimated \$263 K)
 - 2020-21 = 30% rate (4.0% ↑) (estimated \$1.8 MM)

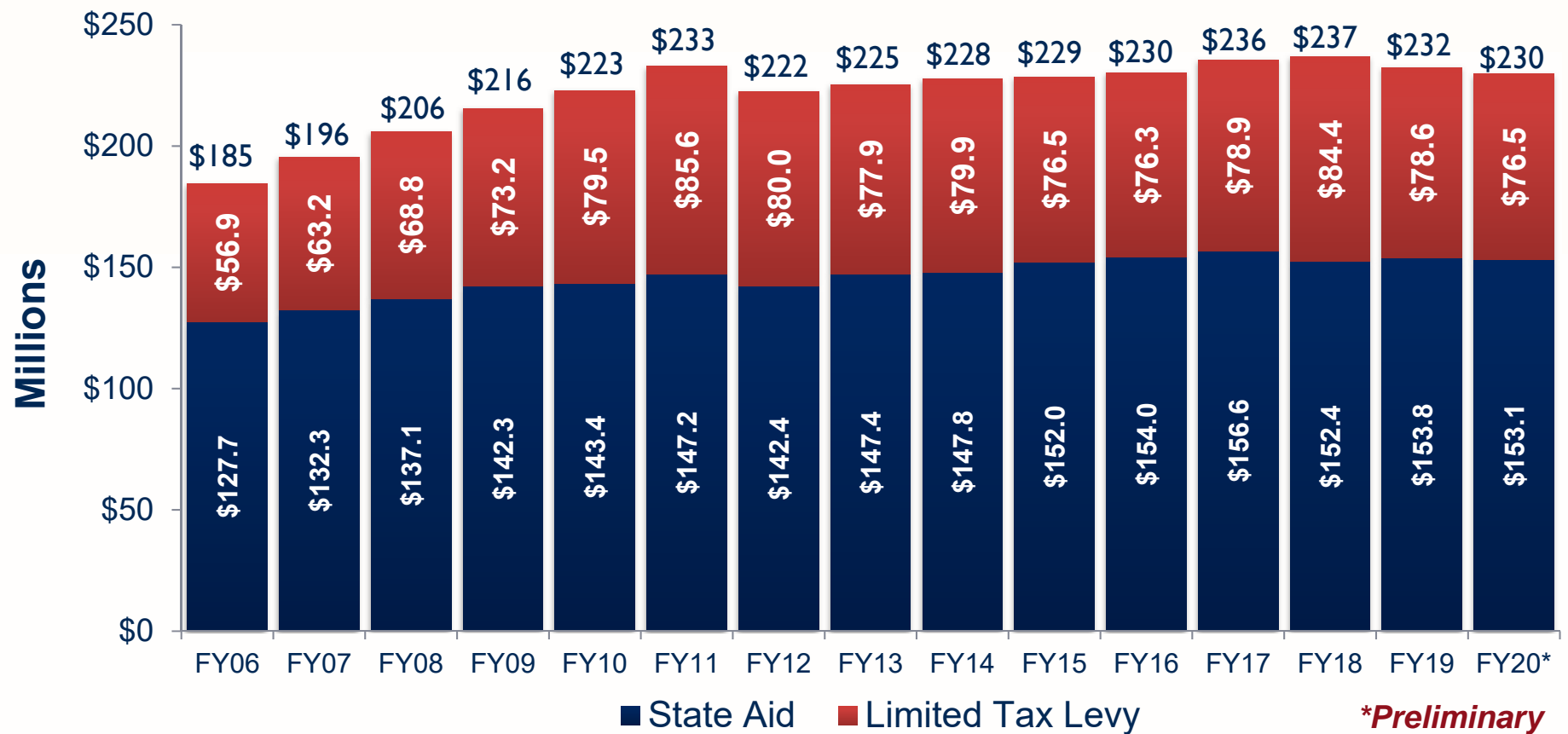
2019-20 Preliminary Revenue Limit Calculation

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

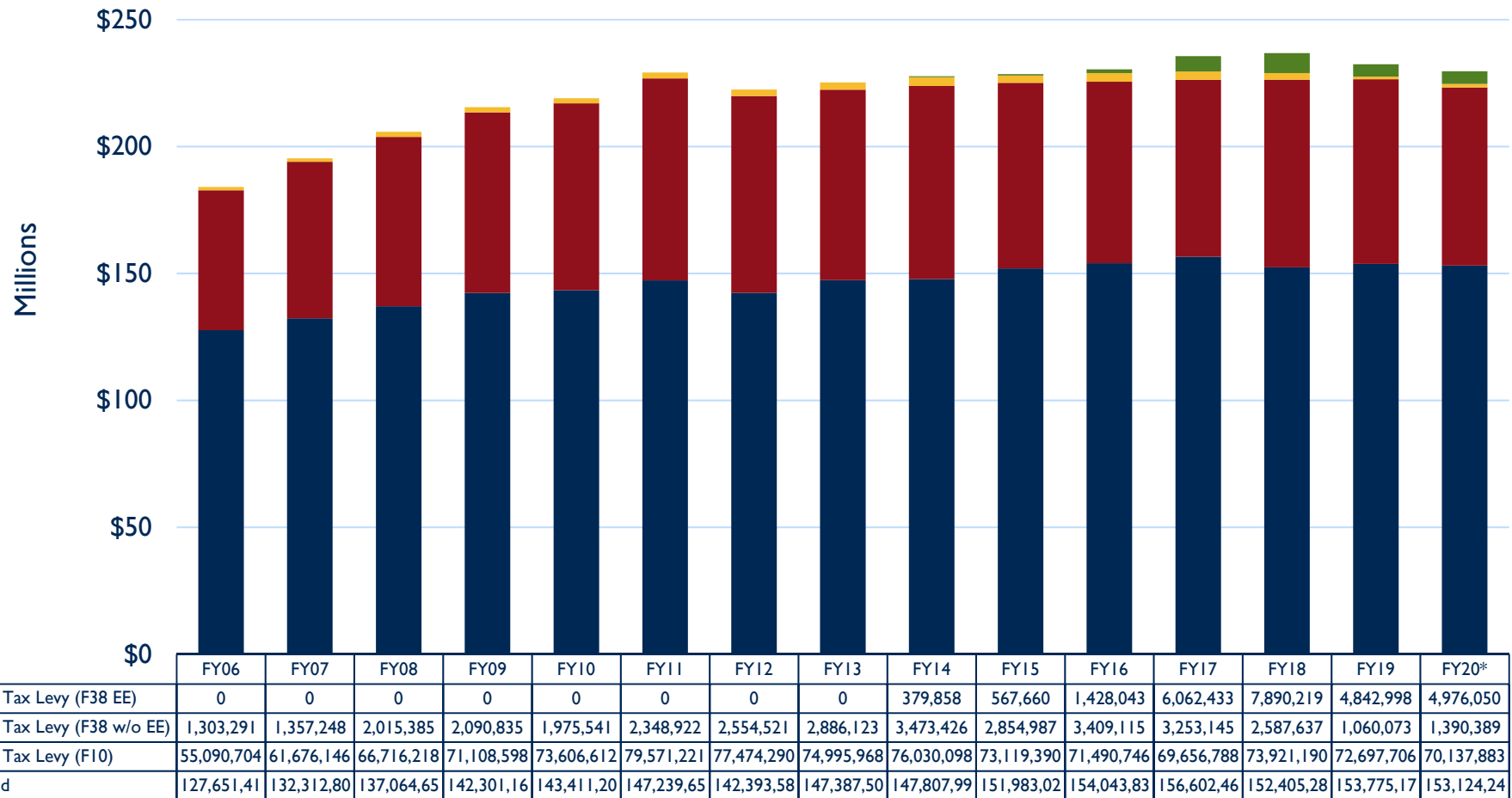
- State Aid is primarily based on prior year's expenses and equalized property value per member (includes High Poverty Aid \$1.43 million)
- Limited Tax Levy is the difference between the Revenue Limit and the projected State Aid



Revenue Limit History



Revenue Limit History (Energy Efficiency)



**Preliminary*

KUSD Fund Structure

General Fund (10)

- Operations (majority of salaries, benefits and other expenses)

Debt Service (30)

- Transactions for repayment of bonds, notes and loans

Community Service (80)

- Activities supporting all Kenosha, Pleasant Prairie and Somers community members

Special Projects (20)

- Special Revenue (donations)
- Special Education
- Head Start

Capital Projects (40)

- Expenditures for expansion and remodeling

Food Service (50)

- Activities related to student food services

Trust Funds (70)

- Other Post-Employment Benefits (OPEB)
- Scholarships

Trust Funds (Fund 70)

OPEB

- Other Post Employment Benefits
 - Retiree Health
 - Retiree Dental

Scholarships

- Outside Sources
 - Student Groups
 - Memorials
 - Alumni

OPEB Trust Fund (Fund 73) 2019 Annual Update on Trust Activity

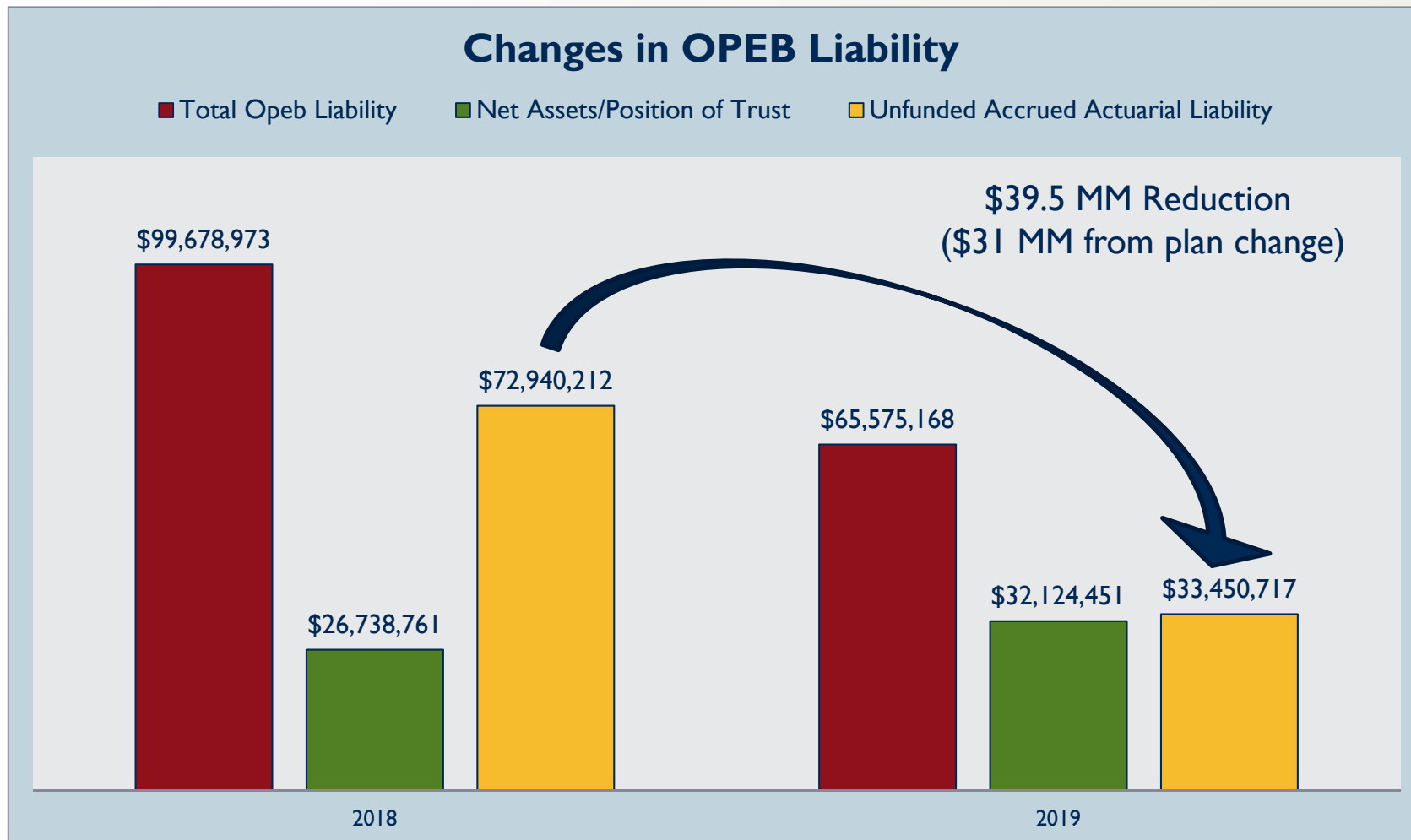
| | |
|---------------------------------------|---------------------|
| Trust Cash & Investments | \$27,360,583 |
| <i>Return on Investments (earned)</i> | <i>\$548,843</i> |

Trust Disbursements:

| | |
|-----------------------------------|----------------------------|
| Insurance Premiums | \$3,839,741 |
| Administrative Costs & Fees | \$3,005 |
| Implicit Rate Subsidy | \$3,887,010 |
| Total Trust Disbursements: | <u>\$7, 729,756</u> |

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

Other Post Employment Benefits (OPEB)



Community Service Funds (Fund 80)

Community and Parent Programs

- Family Education
- Safety Trainings
- Parenting Skills Development
- Alcohol and Other Drug Awareness (AODA)
- Community Outreach
- Boys & Girls Club Programs
 - Gang Prevention
- Adult Education
 - GED Programs
 - ESL
 - Even Start Literacy
- Building Our Future

Recreation Department

- Adult Sports
 - Softball
 - Volleyball
 - Basketball
- Youth Summer Programs
- Swimming
- Kenosha Youth Performing Arts Company (KYPAC)
- Fine Arts Recreation Programs
 - Summer Classics
- Marching Bands
 - Black Watch
 - Rambler

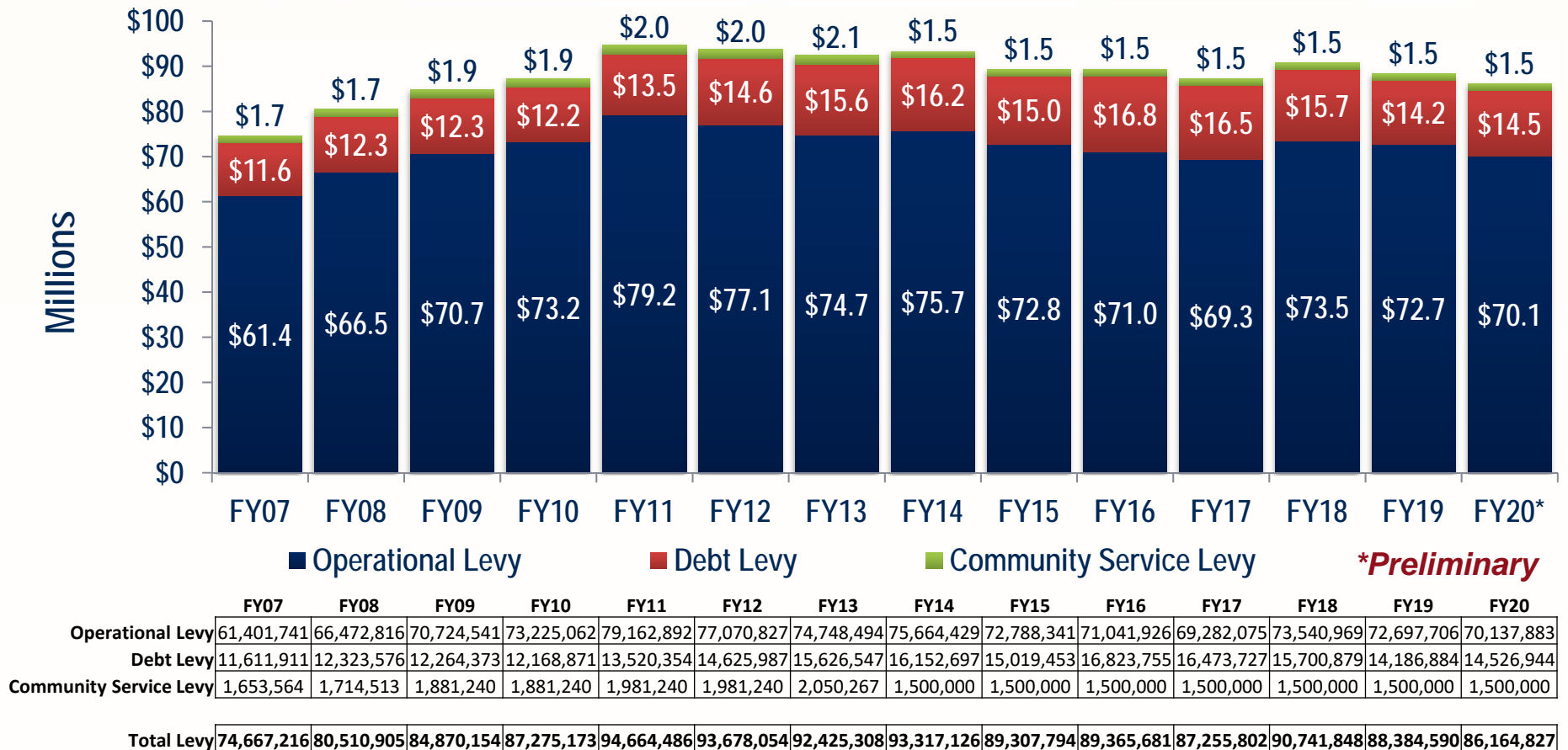
Kenosha Senior Center

- 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 2017-18 | FY 2018-19 | FY 2019-20* |
|---------------------------------|--------------------------|-------------------------|-------------------------|
| Total Tax Levy | 4.0% increase | 2.60% decrease | 2.51% decrease |
| Property Values | 3.36% increase | 6.02% increase | 8.00% increase |
| Mill Rate | \$10.23 (per \$1,000) | \$9.40 (per \$1,000) | \$8.49 (per \$1,000) |
| Property Tax on \$200,000 House | \$2,046 | \$1,880 | \$1,698 |

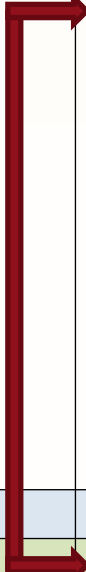
\$182 less

Recalculated equalization aid and final property values in October will have an impact on these tax levy changes

**Preliminary*

Equalized Property Value (TID-Out)

| School Year | Equalized Valuation | % Change |
|-----------------|-----------------------|--------------|
| 2008/09 | 9,628,413,923 | 1.35% |
| 2009/10 | 9,510,858,704 | -1.22% |
| 2010/11 | 8,931,500,985 | -6.09% |
| 2011/12 | 8,503,804,152 | -4.79% |
| 2012/13 | 7,982,932,601 | -6.13% |
| 2013/14 | 7,693,298,078 | -3.63% |
| 2014/15 | 7,956,343,824 | 3.42% |
| 2015/16 | 8,212,853,321 | 3.22% |
| 2016/17 | 8,580,130,959 | 4.47% |
| 2017/18 | 8,868,543,467 | 3.36% |
| 2018/19 | 9,402,602,402 | 6.02% |
| 2019/20* | 10,154,810,594 | 8.00% |



**Preliminary*

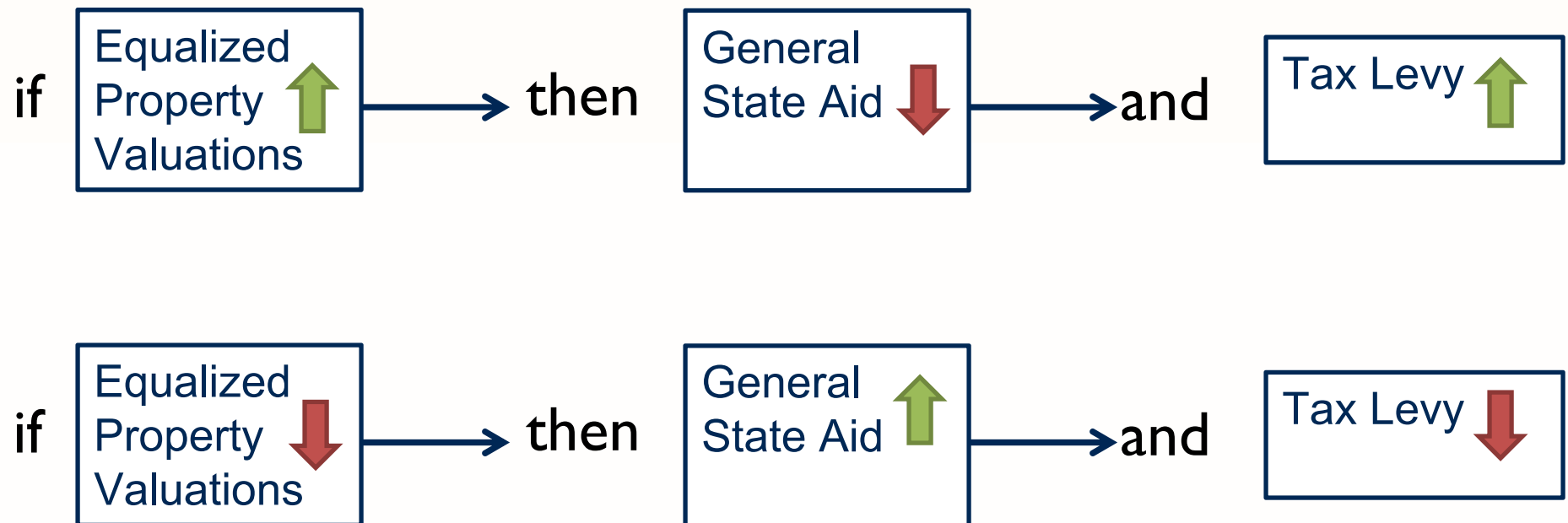
Mill Rate

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

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

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

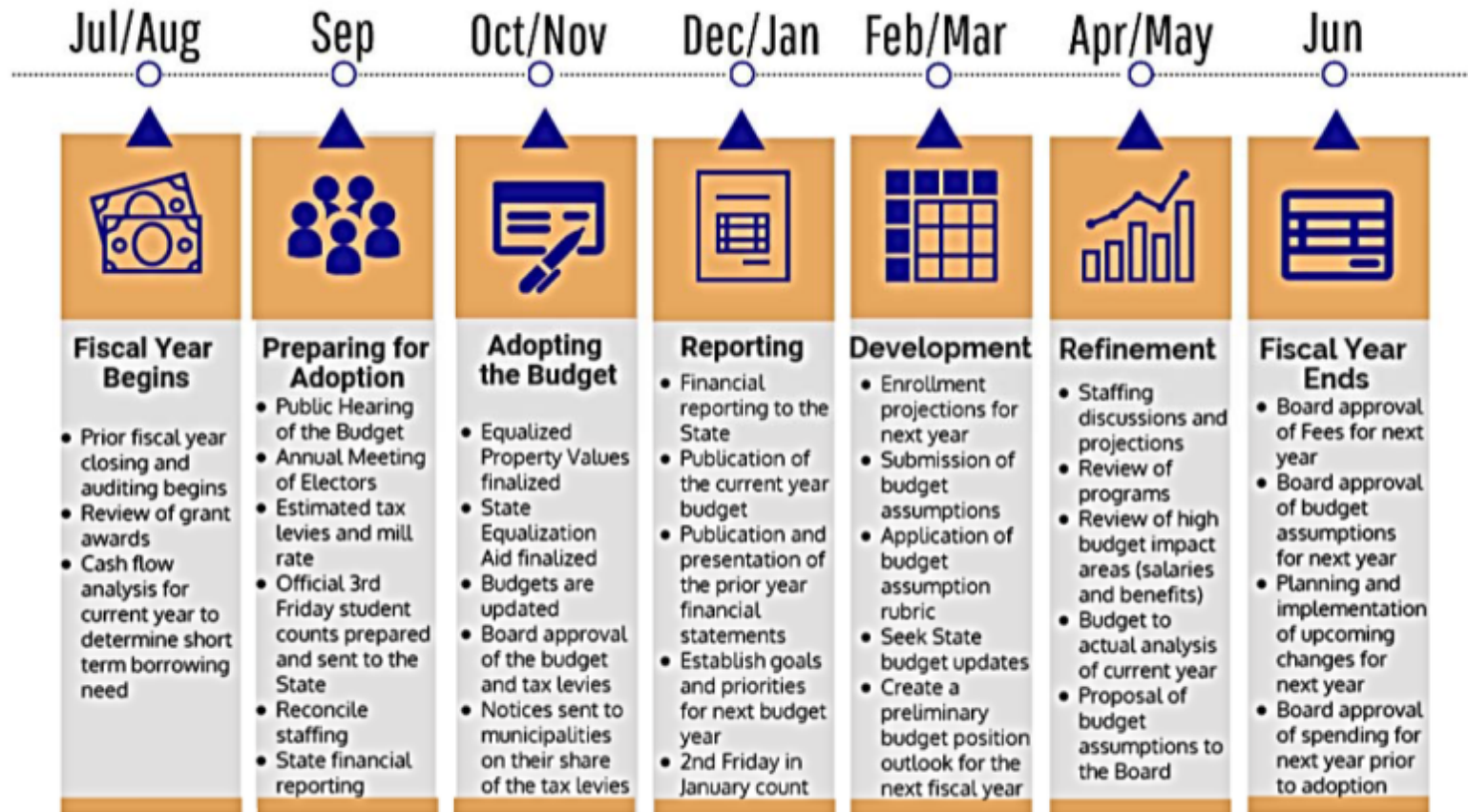
Property Values, State Aid and Tax Levy



2019-20 Budget Next Steps

| What | When |
|------------------------------|--------------------------------|
| Finalize Enrollment | 3rd Friday of September (20th) |
| Update Property Values | October 1 |
| Finalize Revenue Limit | October 15 |
| Update State General Aid | October 15 |
| Finalize Tax Levy | October 15 |
| Rebalance Budget | October 18 |
| Board Adoption | October 22 |
| Notify Municipalities of Tax | November 10 |

KUSD Annual Budget Calendar



Thank You!



KENOSHA UNIFIED
SCHOOL DISTRICT