Public Hearing of the Kenosha Unified School District Proposed 2018-19 Budget

Presented by:

Tarik Hamdan
Chief Financial Officer

September 13, 2018

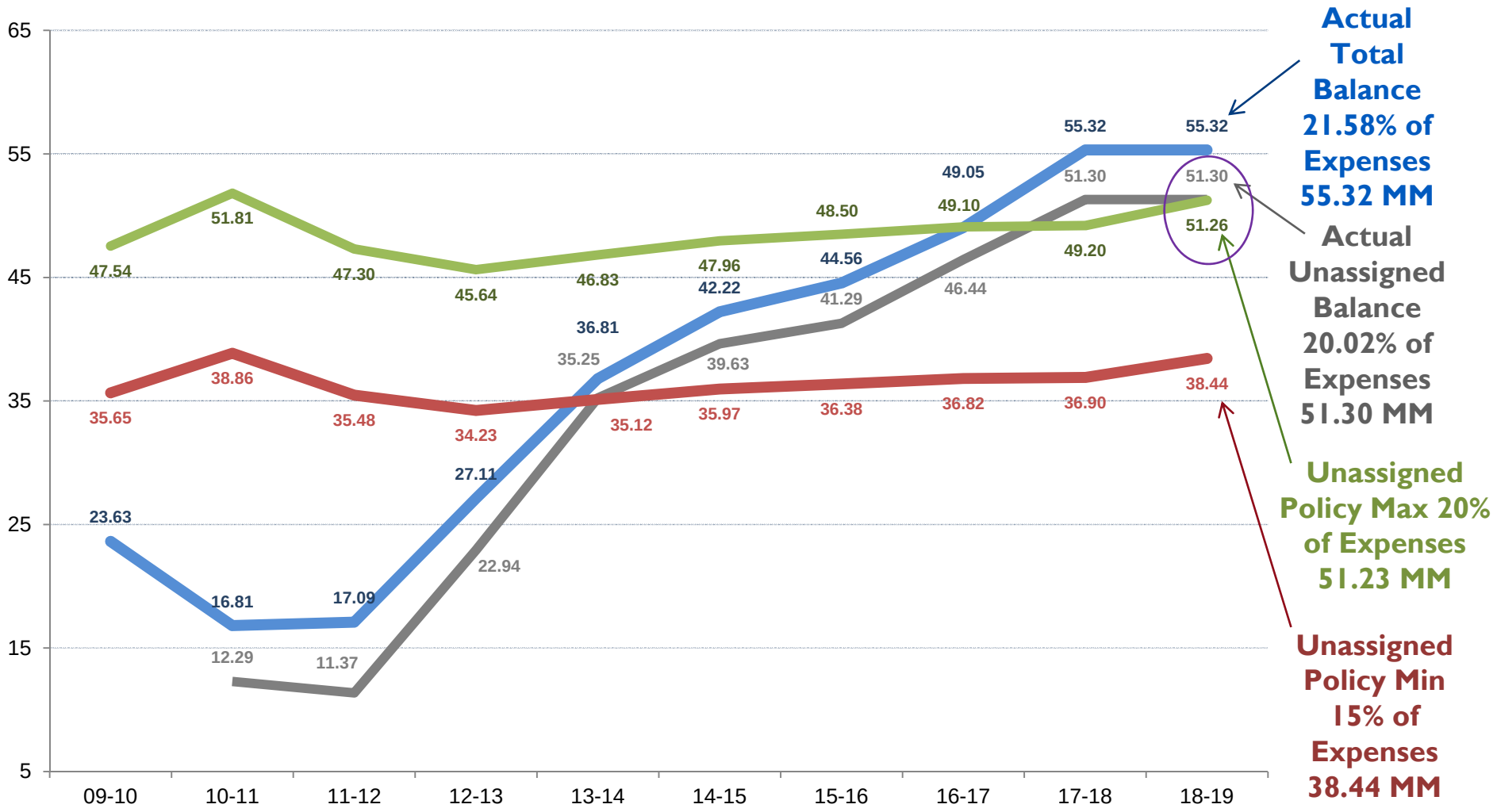
2018-19 Proposed Budget
General Fund (10)

GENERAL FUND (FUND 10)	Audited 2016-2017	Unaudited 2017-2018	Proposed 2018-2019
Beginning Fund Balance	44,557,313	49,045,390	55,315,858
Ending Fund Balance	49,045,390	55,315,858	55,315,858
REVENUES AND OTHER FINANCING SOURCES			
Operating Transfer-In (Source 100)	110,461	131,865	136,169
Local Sources (Source 200)	71,535,948	76,434,882	76,772,505
Inter-district Payments (Source 300 & 400)	610,926	750,339	750,000
Intermediate Sources (Source 500)	15,000	0	27,000
State Sources (Source 600)	164,279,890	164,570,004	168,999,681
Federal Sources (Source 700)	10,808,138	9,564,033	10,307,430
All Other Sources (Source 800 & 900)	2,618,491	803,203	330,000
TOTAL REVENUES & OTHER FINANCING SOURCES	**249,978,854**	**252,254,326**	**257,322,784**
EXPENDITURES & OTHER FINANCING USES			
Instruction (Function 100000)	124,321,356	126,811,291	131,963,055
Support Services (Function 200000)	85,801,885	83,775,319	87,161,870
Non-Program Transactions (Function 400000)	35,367,537	35,397,247	38,197,859
TOTAL EXPENDITURES & OTHER FINANCING USES	**245,490,778**	**245,983,857**	**257,322,784**

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.
  - $1,220,667 as of 6/30/2018 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).
  - $192,452 as of 6/30/2018 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).
  - $2,600,105 as of 6/30/2018 for Charter School Reserves
- **Unassigned Fund Balance** is the residual classification for the general fund.
  - $51,302,634 as of 6/30/2018

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



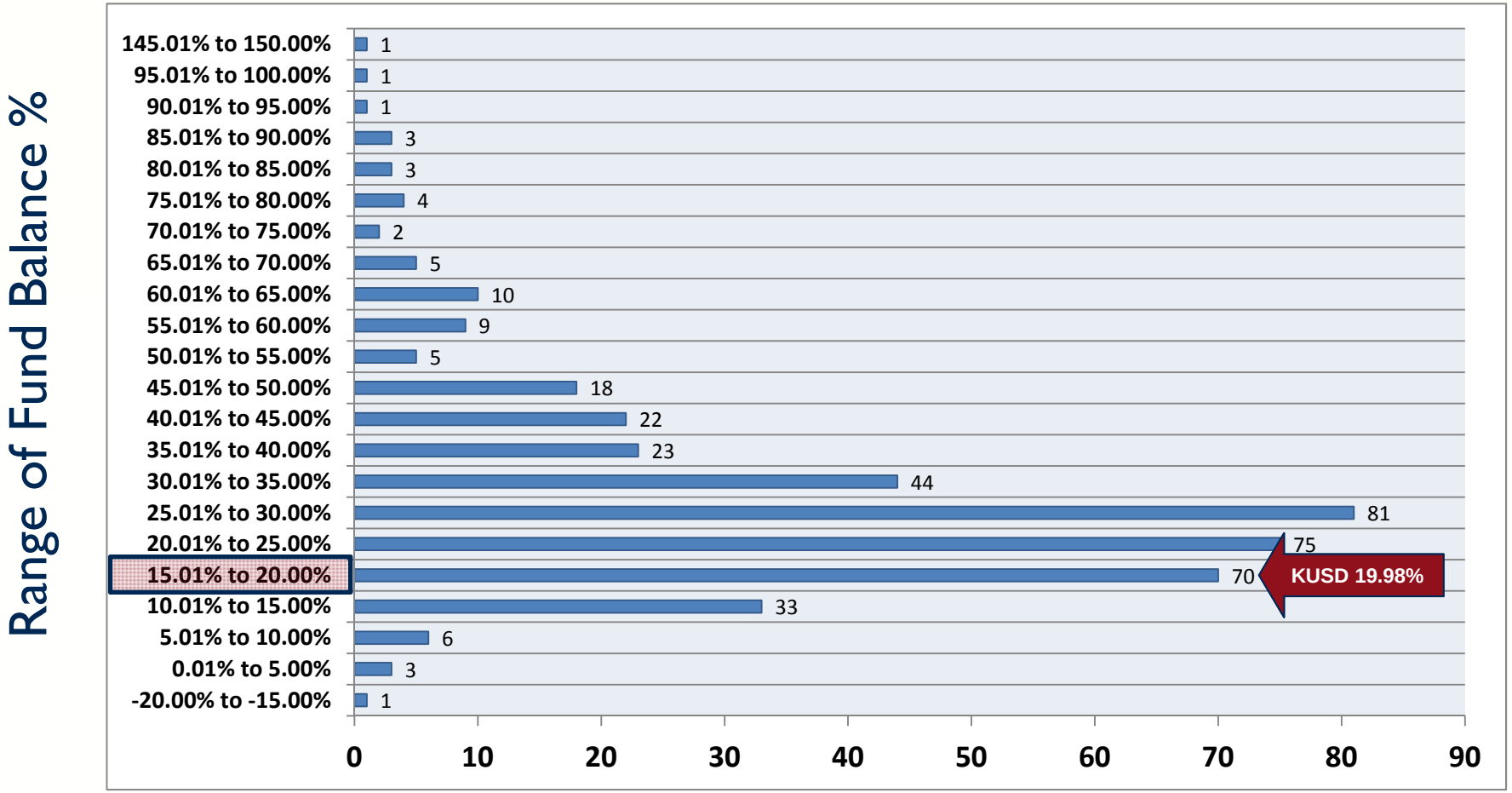
Fund Balance Analysis
(DPI data as of 6/30/17)

- There are 421* districts in the State of Wisconsin
  - The average fund balance was 30.34% of general fund expenses
  - KUSD fund balance was 19.98% of expenses
  - KUSD was ranked 308 out of the 421 districts

- Comparable districts based on enrollment
  - Racine ranked 348 with 17.61%
  - Green Bay ranked 366 with 16.18%
  - Madison ranked 392 with 13.74%

* Count updated to reflect the recently consolidated school district of Herman-Neosho-Rubicon. However, fund balance and expenditure data were not available for this analysis.

Fund Balance Analysis of the 421 WI School Districts (DPI data as of 6/30/17)



Financial Status Update (Moody's Ratings)

Upgraded to Aa2 from Aa3

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.

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.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004 , June 2015

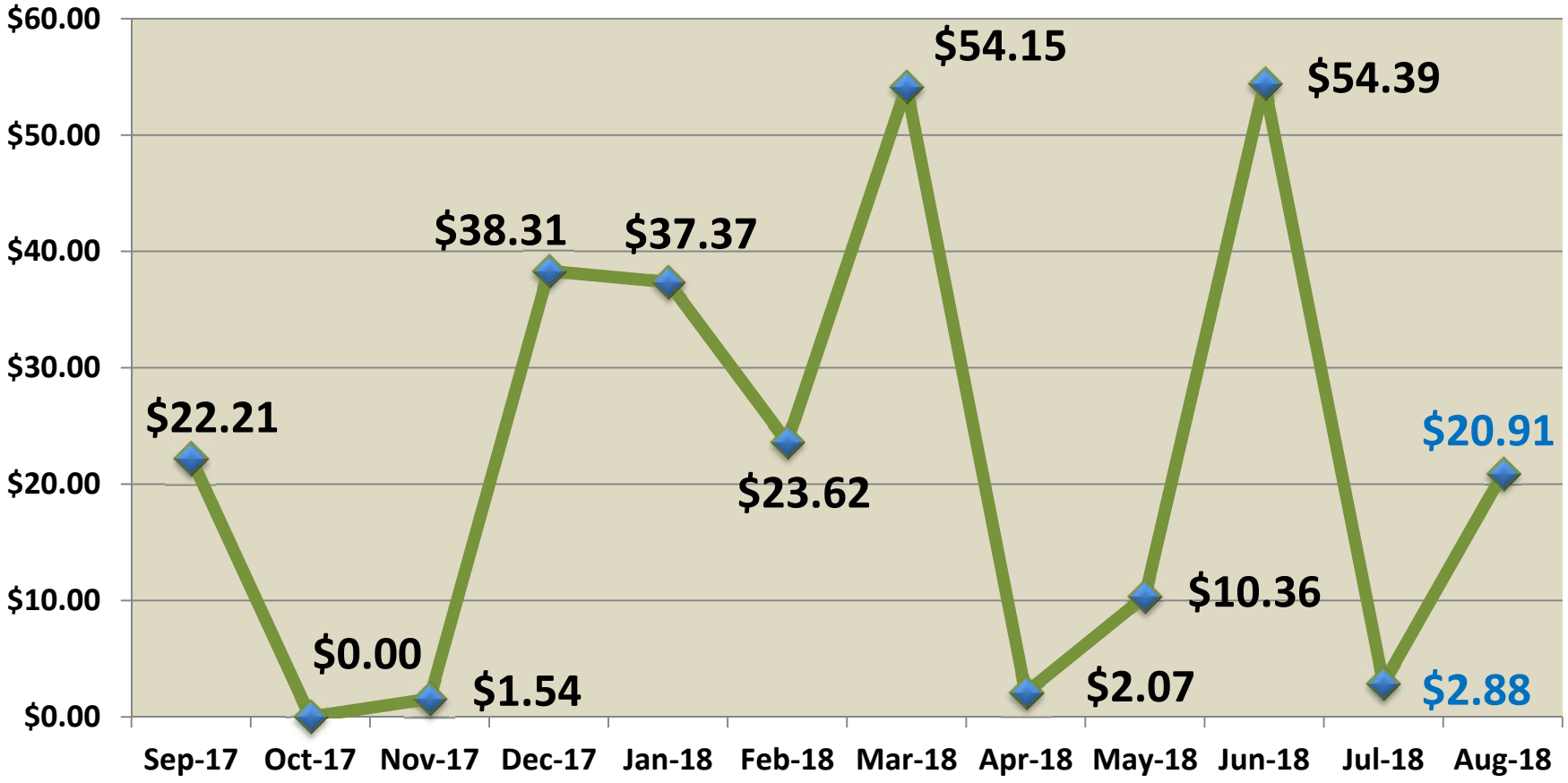
Projected Revenue Collection Calendar 2018-19

Major Revenue Collection Calendar 2018-2019 (Monthly %)														
	Budgeted	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Total
Tax Levy *	$90,123,789					39.50%	24.50%		1.30%	11.50%			23.20%	100.00%
Equalization Aid *	$149,955,151	14.81%			24.52%			24.58%			34.42%	1.67%		100.00%
Tax Exempt Computer Aid	$380,221											100.00%		100.00%
Categorical Aids														
Special Ed	$10,256,508			15.00%	15.00%	15.00%	15.00%	15.00%			25.00%			100.00%
Trans Aid	$230,000					100.00%								100.00%
High Poverty Aid *	$1,771,760							100.00%						100.00%
Per Pupil Aid *	$13,981,866							100.00%						100.00%
Common School Library Aid	$900,000								100.00%					100.00%
State Tuition Payment	$180,000										100.00%			100.00%
High Cost SPED Aid	$35,000										100.00%			100.00%

Major Revenue Collection Calendar 2018-19 (Monthly $)														
	Budgeted	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Total
Tax Levy *	$90,123,789	$0	$0	$0	$0	$35,598,897	$22,080,328	$0	$1,171,609	$10,364,236	$0	$0	$20,908,719	$90,123,789
Equalization Aid *	$149,955,151	$22,208,358	$0	$0	$36,769,003	$0	$0	$36,858,976	$0	$0	$51,614,563	$2,504,251	$0	$149,955,151
Tax Exempt Computer Aid	$380,221	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$380,221	$0	$380,221
Categorical Aids														
Special Ed	$10,256,508	$0	$0	$1,538,476	$1,538,476	$1,538,476	$1,538,476	$1,538,476	$0	$0	$2,564,127	$0	$0	$10,256,508
Trans Aid	$230,000	$0	$0	$0	$0	$230,000	$0	$0	$0	$0	$0	$0	$0	$230,000
High Poverty Aid	$1,771,760	$0	$0	$0	$0	$0	$0	$1,771,760	$0	$0	$0	$0	$0	$1,771,760
Per Pupil Aid	$13,981,866	$0	$0	$0	$0	$0	$0	$13,981,866	$0	$0	$0	$0	$0	$13,981,866
Common School Library Aid	$900,000	$0	$0	$0	$0	$0	$0	$0	$900,000	$0	$0	$0	$0	$900,000
State Tuition Payment	$180,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$180,000	$0	$0	$180,000
High Cost SPED Aid	$35,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$35,000	$0	$0	$35,000

* Fund 10 Tax Levy ($74.4 MM), Equalization Aid ($150 MM), High Poverty Aid ($1.77 MM), and Per Pupil Aid ($14 MM) account for approximately 93% of the KUSD General Fund Revenues ($257.3MM) for 2018-19

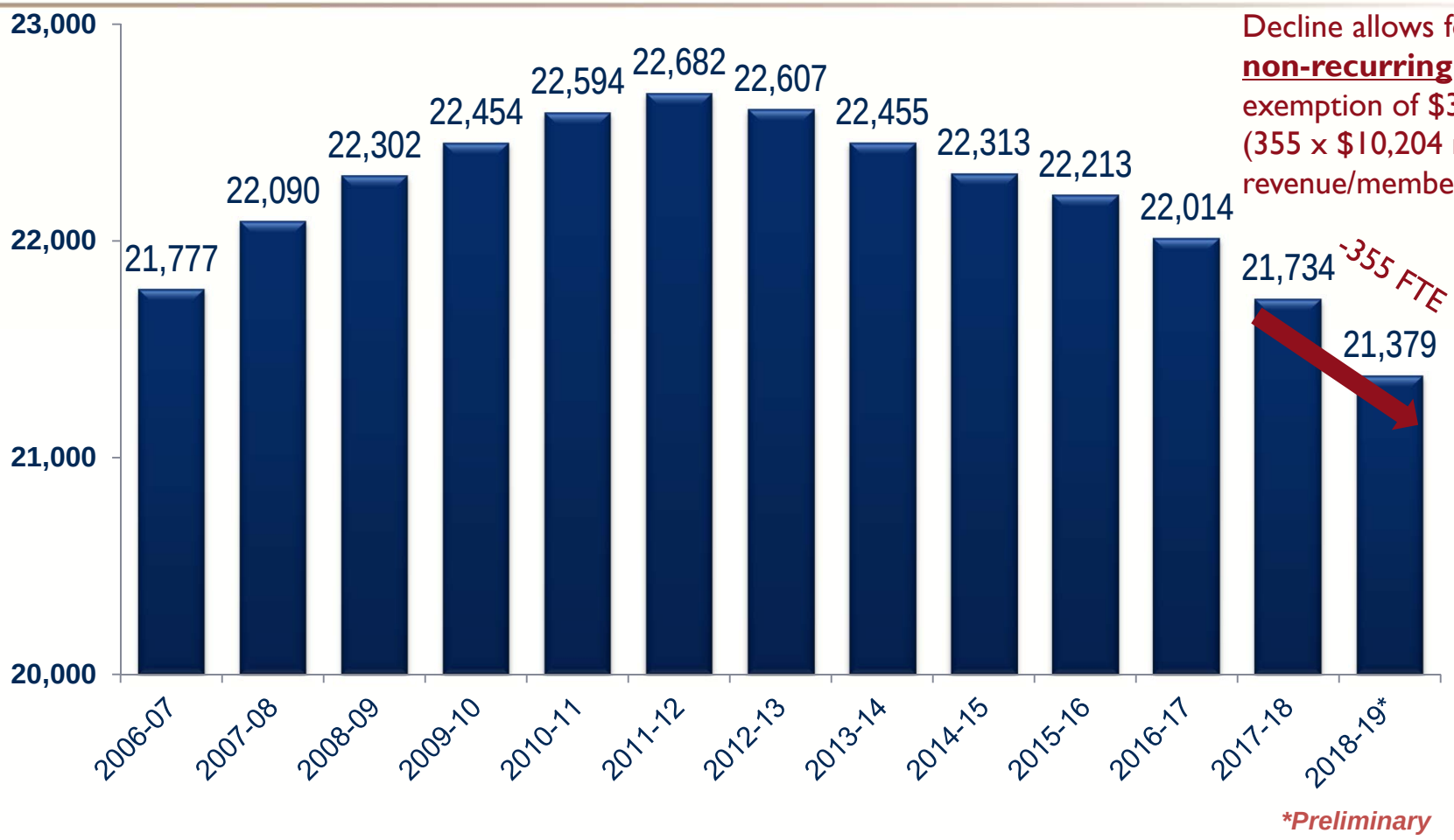
Projected Revenue Collection Calendar 2018-19
(millions of dollars)



School Finance Variables

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

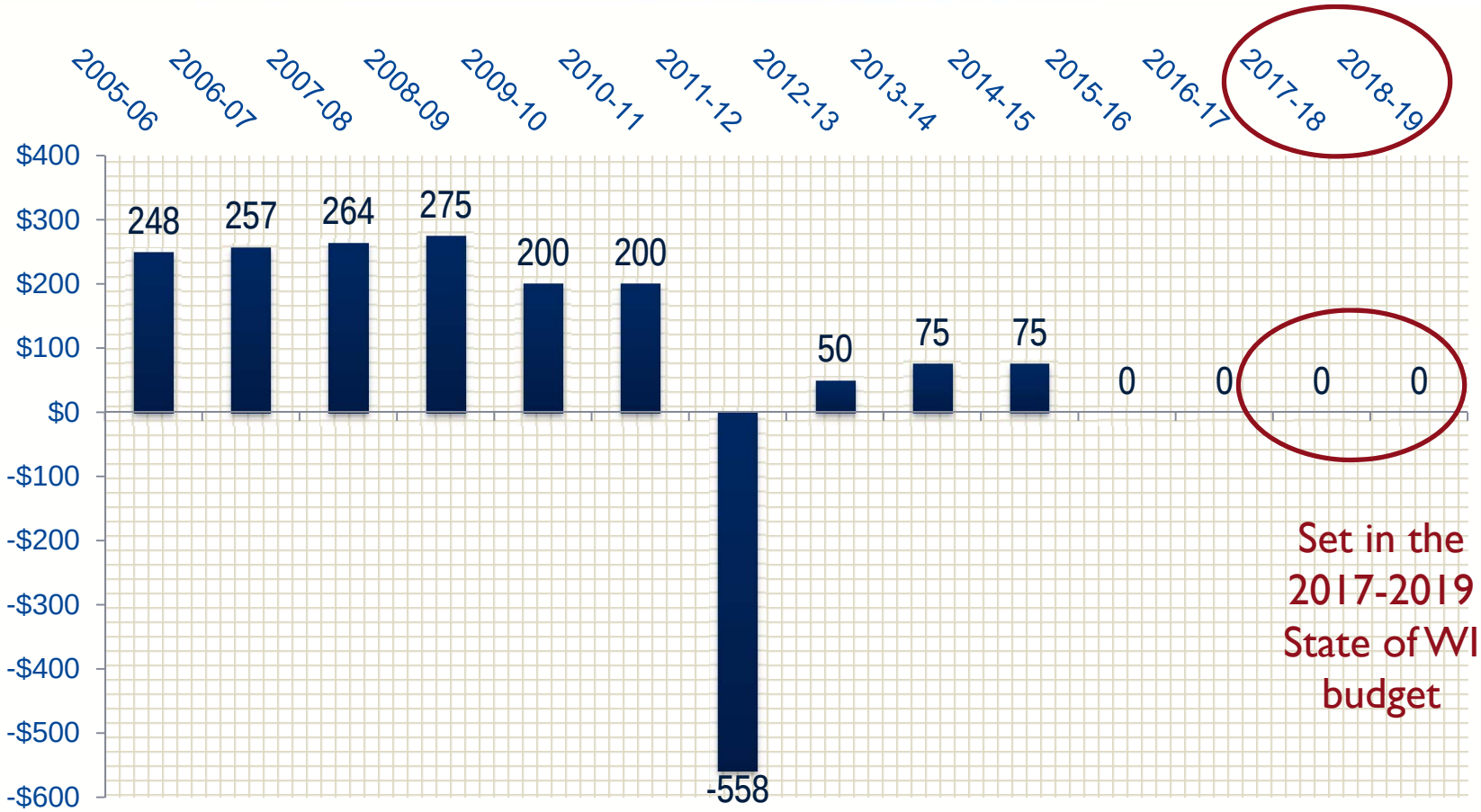
KUSD Enrollment Trend
(Current 3 Year Average Membership)



Decline allows for a **non-recurring** exemption of $3.6 MM (355 x $10,204 max revenue/member)

**Preliminary*

Allowable Per Member Revenue Increase/Decrease

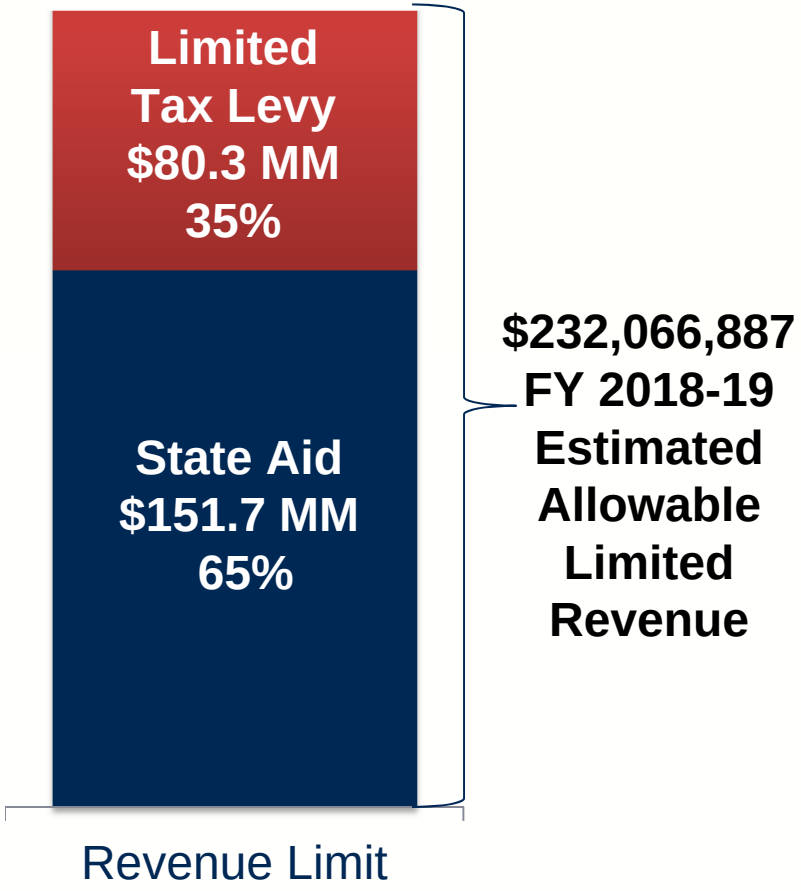


2018-19 Preliminary Revenue Limit Calculation

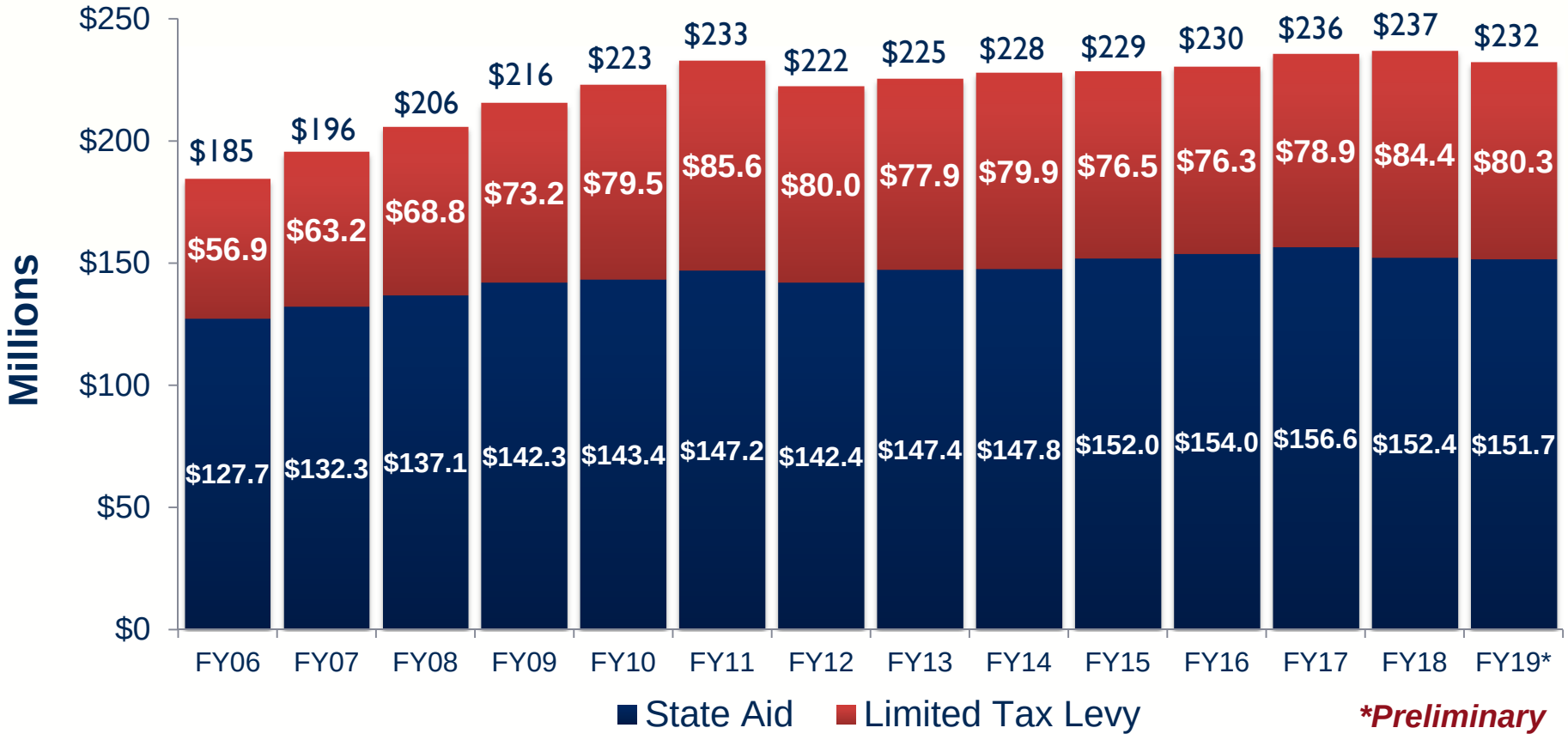
The district's main revenue sources are restricted by the Revenue Limit formula:

- State Aid is primarily based on prior year's expenses and equalized property value per member (includes High Poverty Aid $1.77 million)

- Limited Tax Levy is the difference between the Revenue Limit and the projected State Aid



Revenue Limit History



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 (73)

- Other Post Employment Benefits
  - Retiree Health
  - Retiree Dental

Scholarships (75)

- Outside Sources
  - Student Groups
  - Memorials
  - Alumni

OPEB Trust Fund (Fund 73)
2018 Annual Update on Trust Activity

Trust Cash & Investments	**$22,323,620**
Return on Investments (earned)	*$286,004*

Trust Disbursements:	
Insurance Premiums	$3,605,344
Administrative Costs & Fees	$6,005
Implicit Rate Subsidy	$3,128,567
Total Trust Disbursements:	$6,739,916

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

- 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

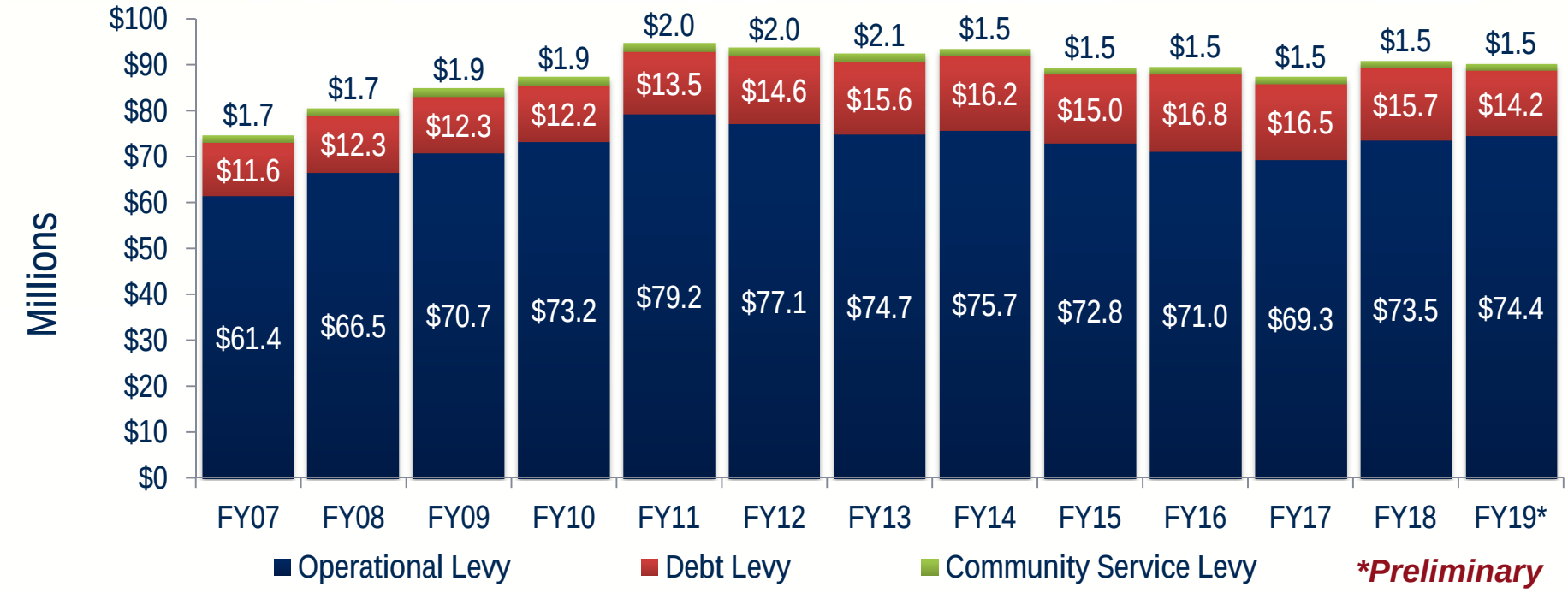
Kenosha Senior Center

- 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



	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19*
Operational Levy	61,401,741	66,472,816	70,724,541	73,225,062	79,162,892	77,070,827	74,748,494	75,664,429	72,788,341	71,041,926	69,282,075	73,540,969	74,436,905
Debt Levy	11,611,911	12,323,576	12,264,373	12,168,871	13,520,354	14,625,987	15,626,547	16,152,697	15,019,453	16,823,755	16,473,727	15,700,879	14,186,884
Community Service Levy	1,653,564	1,714,513	1,881,240	1,881,240	1,981,240	1,981,240	2,050,267	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Levy	**74,667,216**	**80,510,905**	**84,870,154**	**87,275,173**	**94,664,486**	**93,678,054**	**92,425,308**	**93,317,126**	**89,307,794**	**89,365,681**	**87,255,802**	**90,741,848**	**90,123,789**

Preliminary Tax Levy Changes

	FY 2016-17	FY 2017-18	FY 2018-19*
Total Tax Levy	2.36% decrease	4.0% increase	0.68% decrease
Property Values	4.47% increase	3.36% increase	5.5% increase
Mill Rate	$10.17 (per $1,000)	$10.23 (per $1,000)	$9.63 (per $1,000)
Property Tax on $200,000 House	$2,034	$2,046	$1,926

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

Preliminary

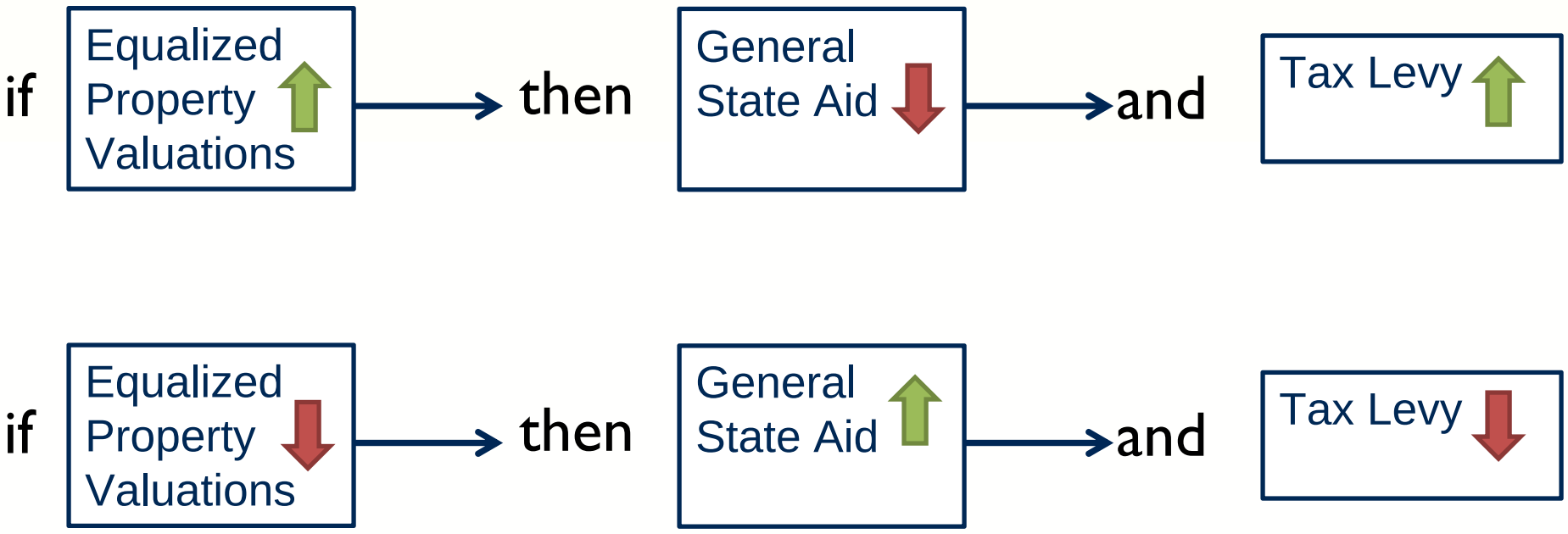
Mill Rate

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

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

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

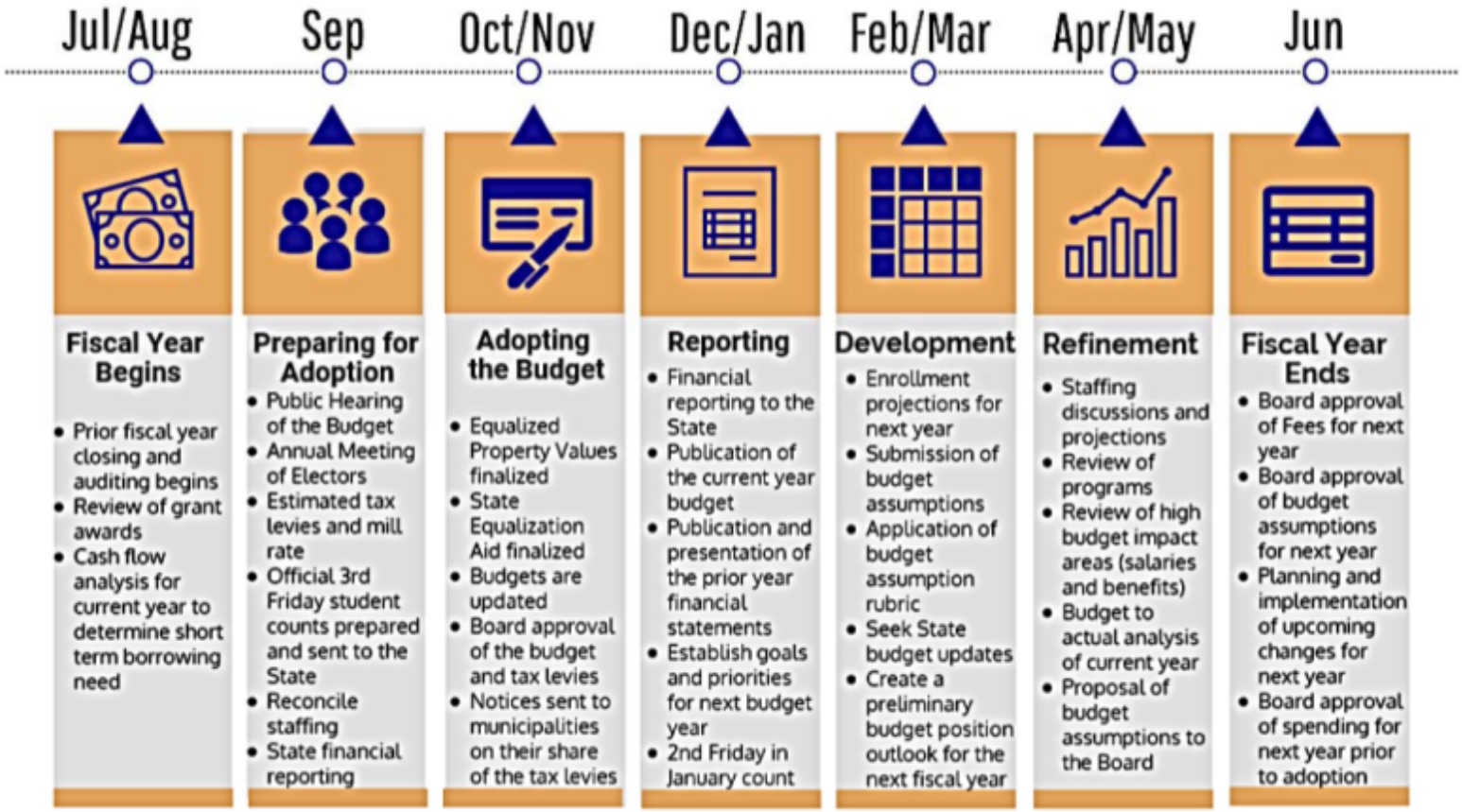
Property Values, State Aid and Tax Levy



2018-19 Budget Next Steps

What	When
Finalize Enrollment	3rd Friday of September (21st)
Update Revenue Limit	October 1
Finalize State General Aid	October 15
Finalize Tax Levy	October 15
Finalize Revenue Limit	October 15
Rebalance Budget	October 19
Board Adoption	October 23
Notify Municipalities of Tax	November 10

KUSD Annual Budget Calendar



Thank You!

KENOSHA UNIFIED
SCHOOL DISTRICT