

Understanding and Communicating Key Budget Variables

2014 WASBO Accounting Conference

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2:30 PM – 3:30 PM



Presenters

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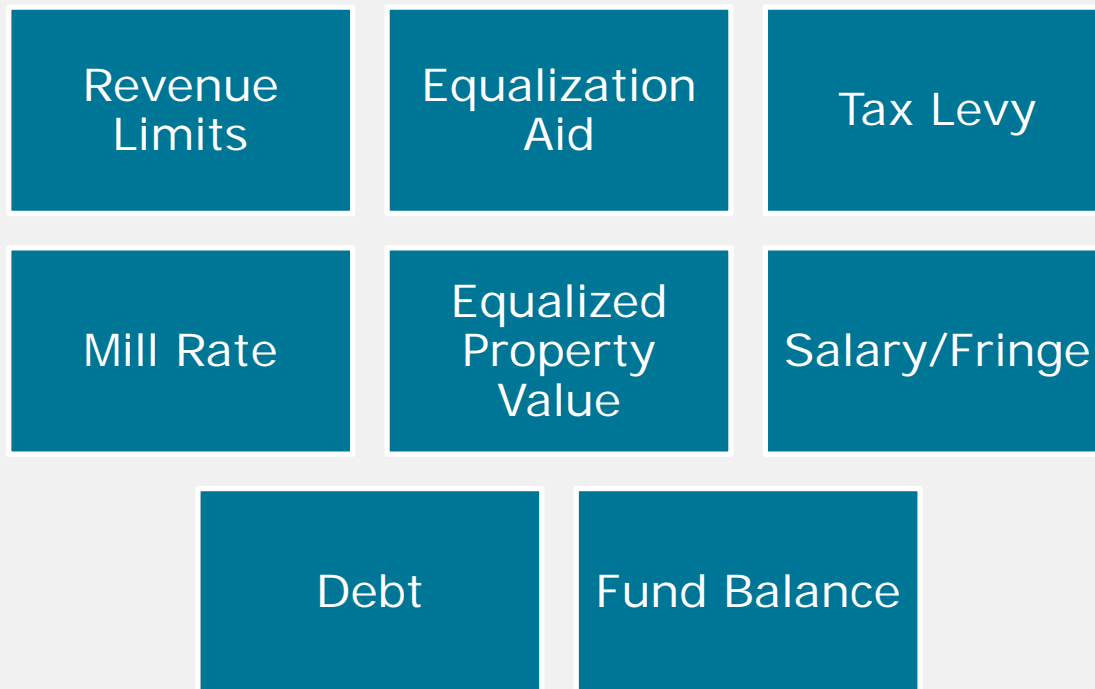
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The logo for Robert W. Baird & Co. features the word "BAIRD" in white, uppercase, serif font, set against a dark blue parallelogram background.

What are the Key School Finance Variables?



How to Communicate Key Variables

Know your
material

Lay the
foundation

Educate
throughout the
year

Adjust content
and level of
detail to target
audience



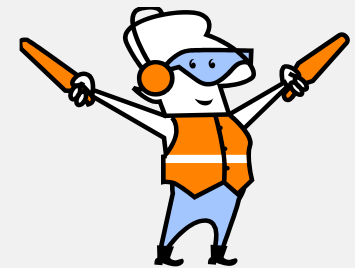
Flight Tower



Airplane Pilot

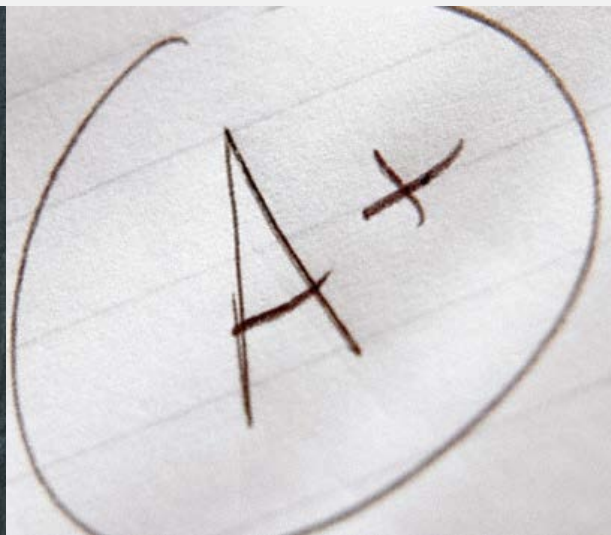


Passengers

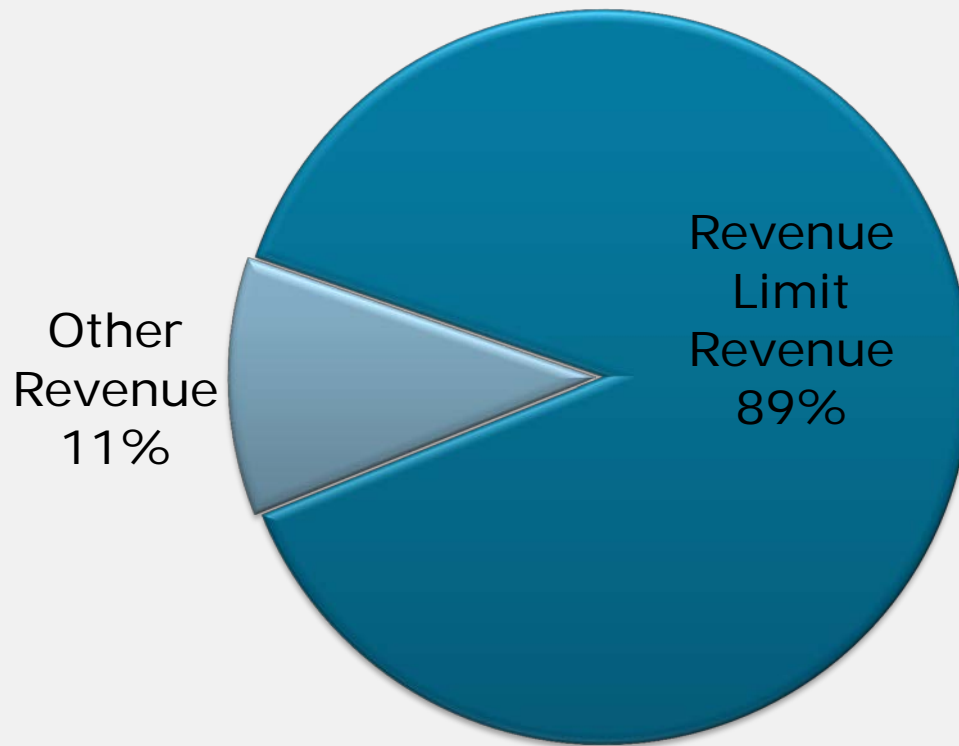


Ground Control

Revenue Limit



Revenue Limit—Why is it Important?



Sample District Operating Revenue

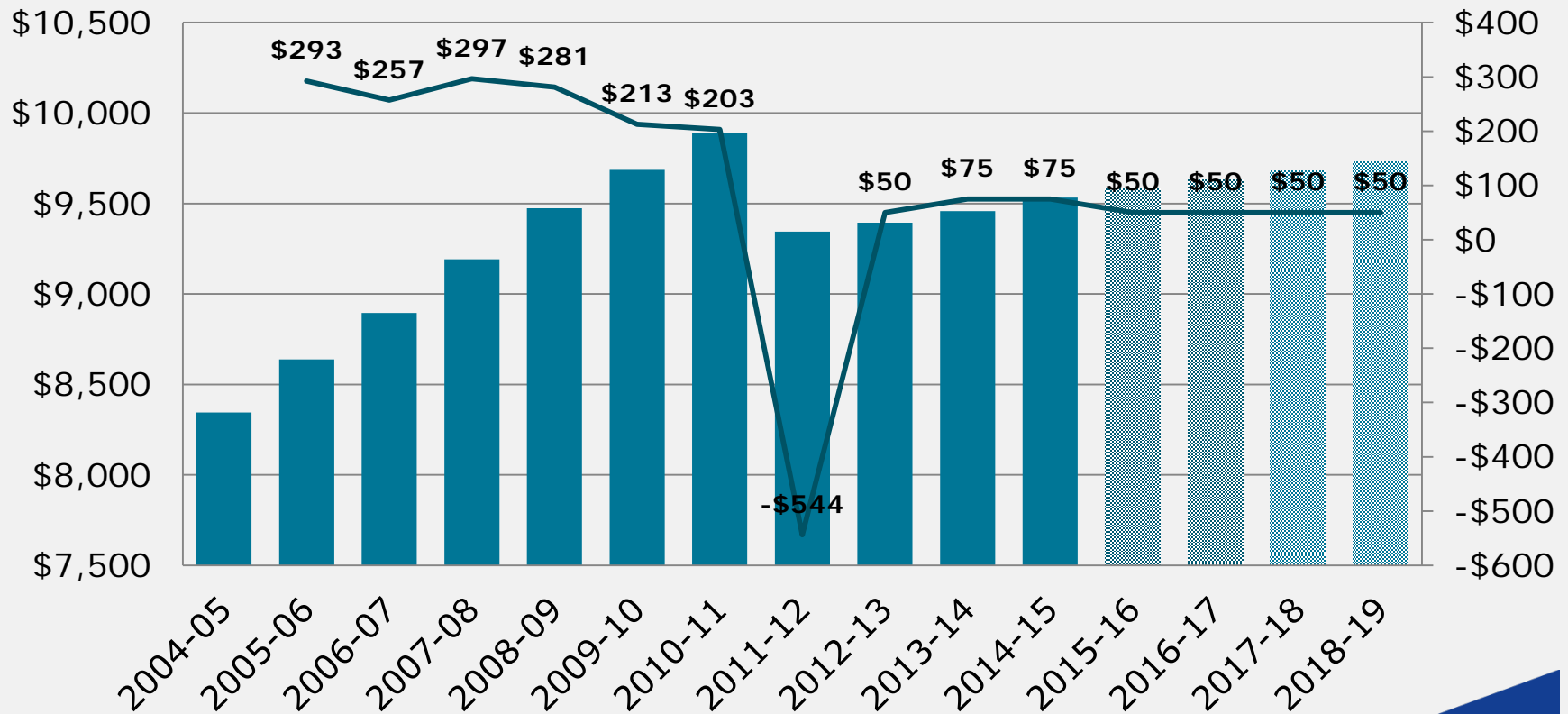


Revenue Limit

- Identifies **how much revenue** a district can generate through the sources of state equalization aid and the ***local tax levy*** for funds:
 - Fund 10 (General Fund)
 - Fund 38 (Non-Referendum Debt)
 - Fund 41 (Capital Expansion)



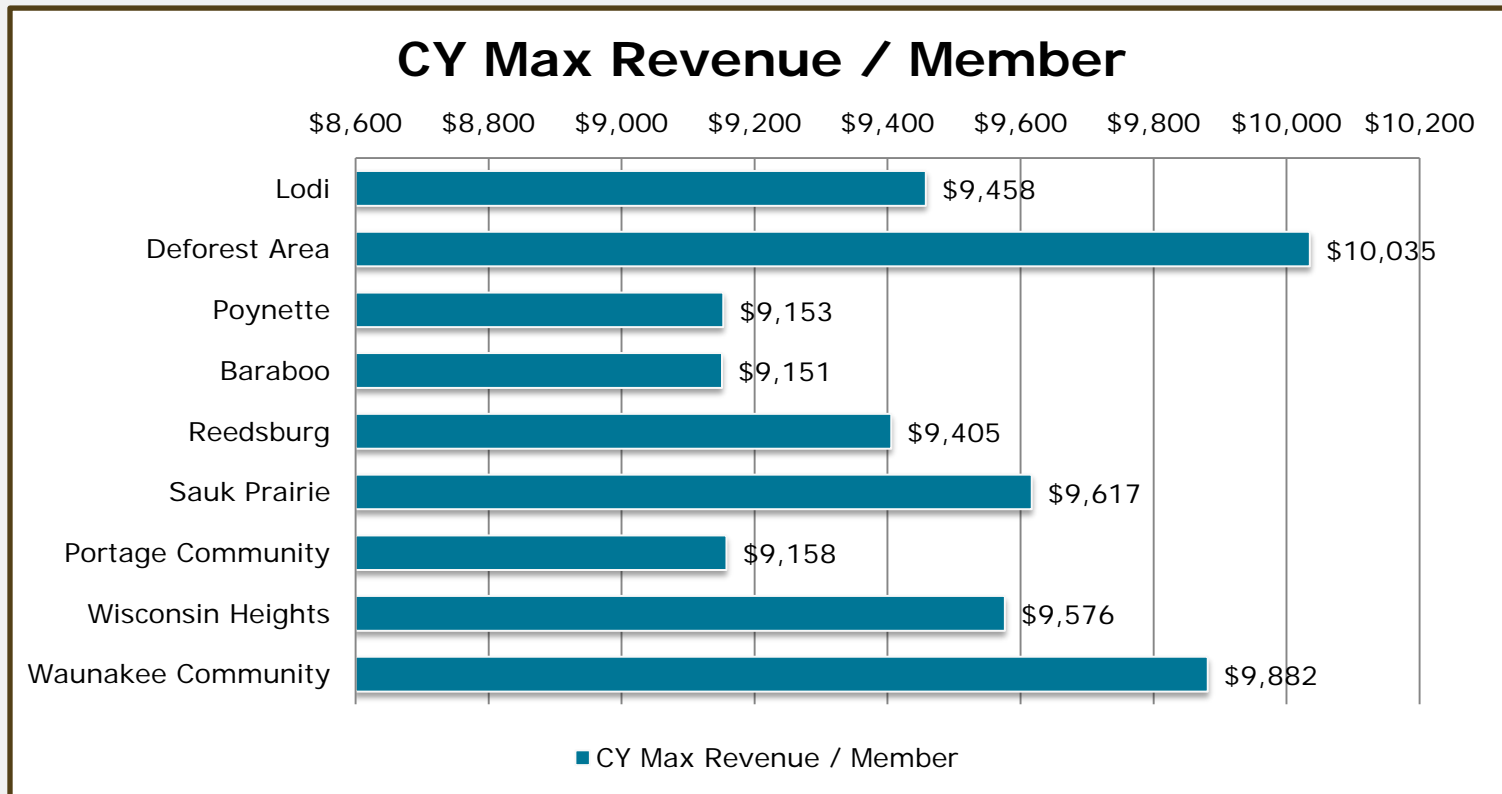
Revenue Limit Per Member



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2013-14 Revenue Limit

Max Revenue / Member



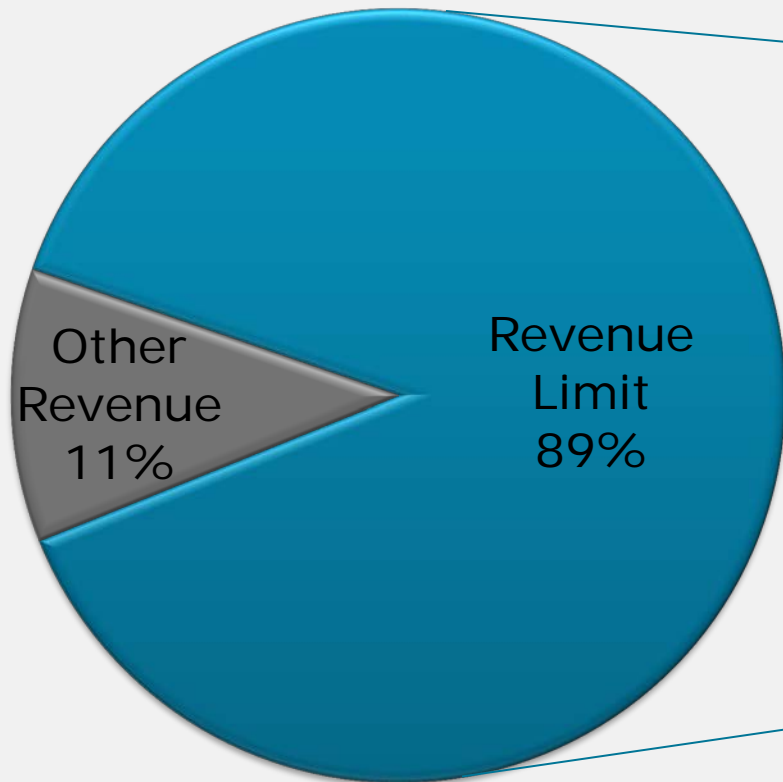
Operational referendum authority-Non-Recurring and Recurring, will each have a different impact on the maximum revenue/member figure.

Equalization Aid

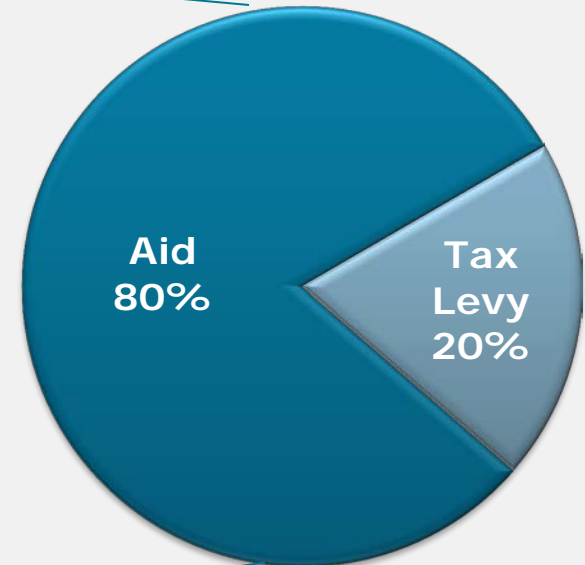


Equalization Aid

General Operating Revenue



Revenue Limit Components



Equalization Aid Components

Local Variables

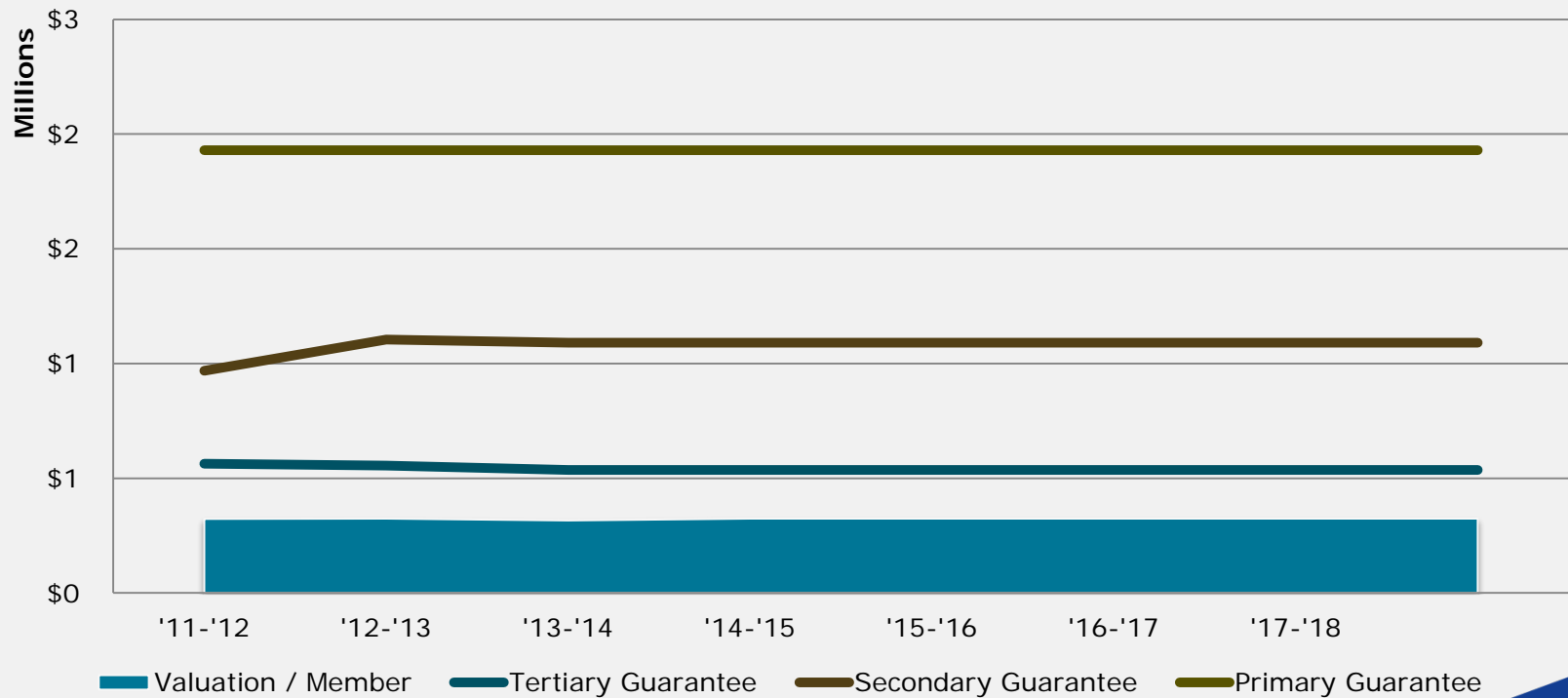
$\text{Property Wealth} / \text{FTE} = \text{Wealth per Member}$

$\text{Shared Costs} / \text{FTE} = \text{Shared Costs per Member}$



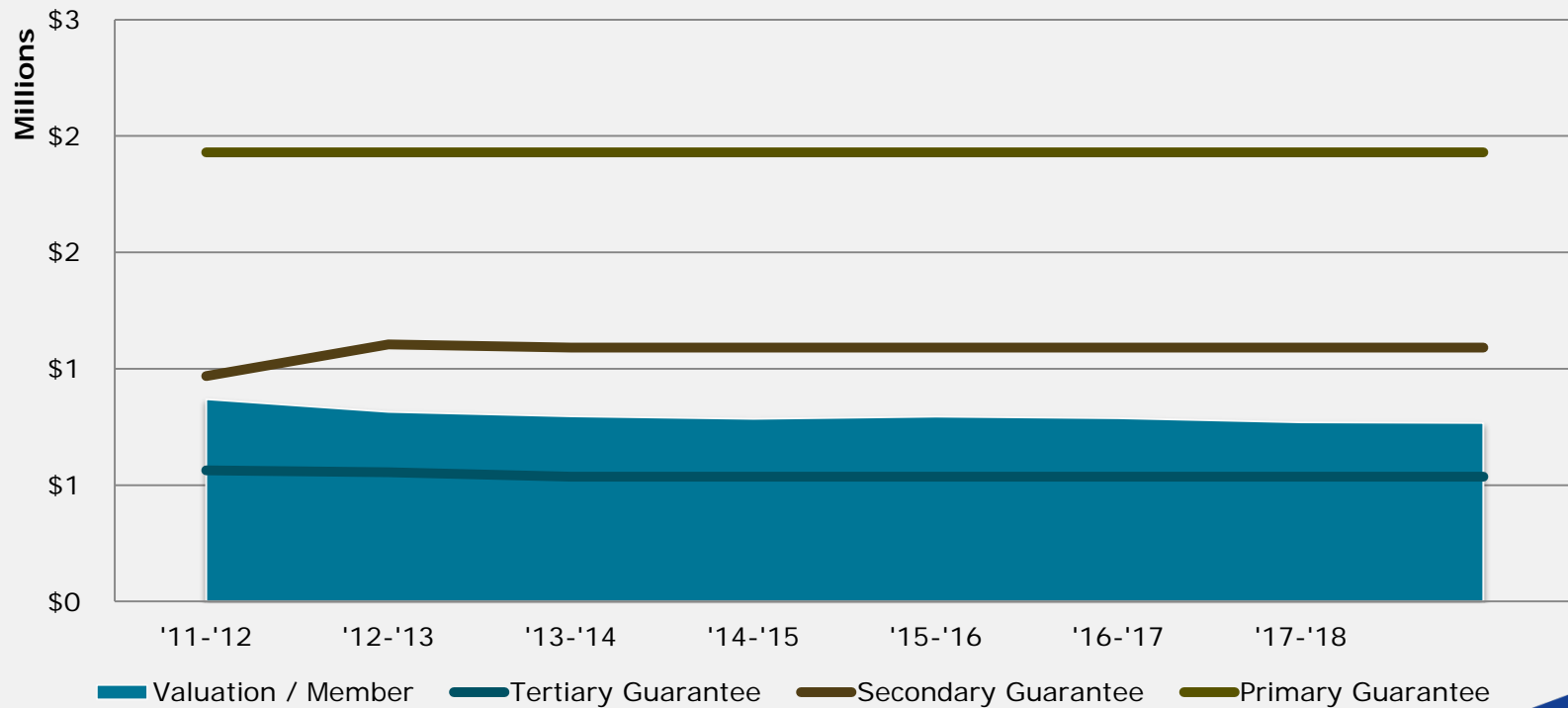
Communicating Equalization Aid

Equalized Property Value / Member



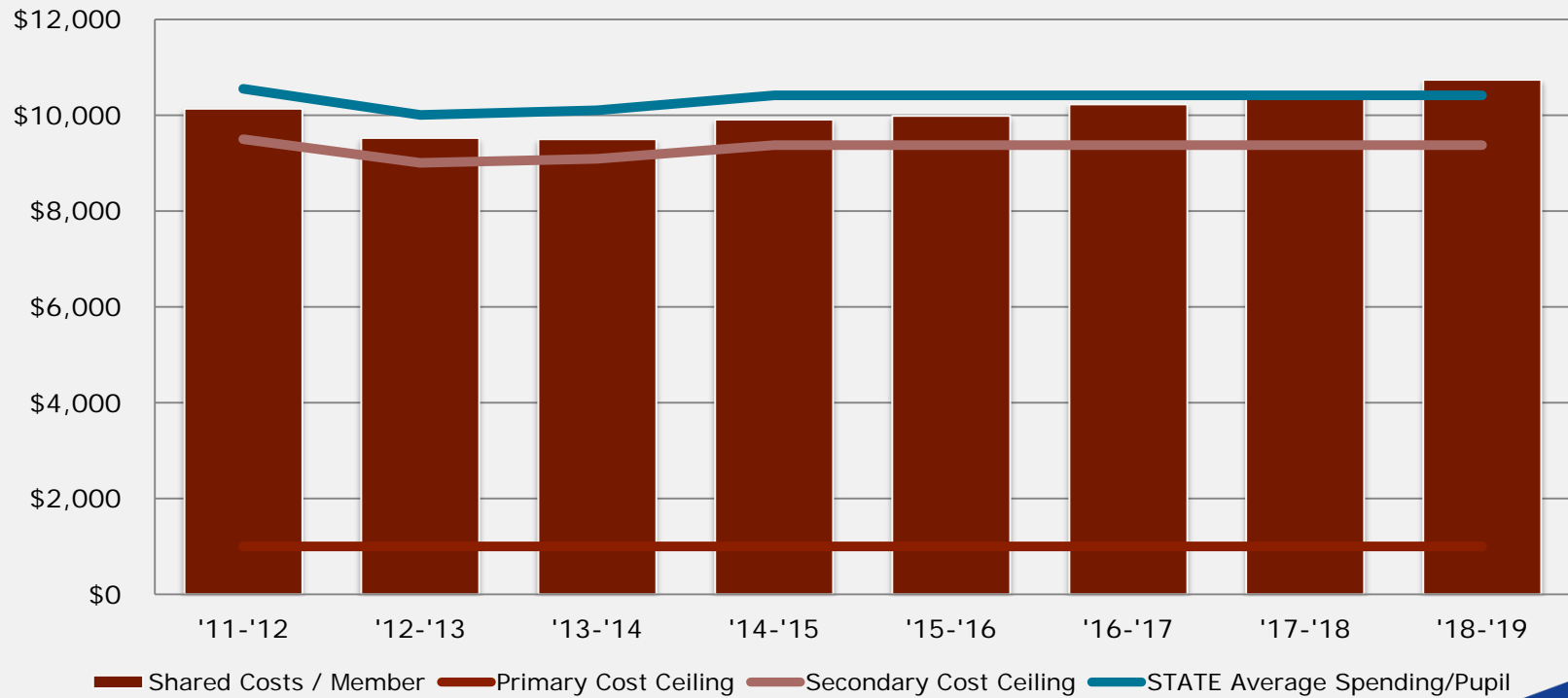
Communicating Equalization Aid

Equalized Property Value / Member



Communicating Equalization Aid

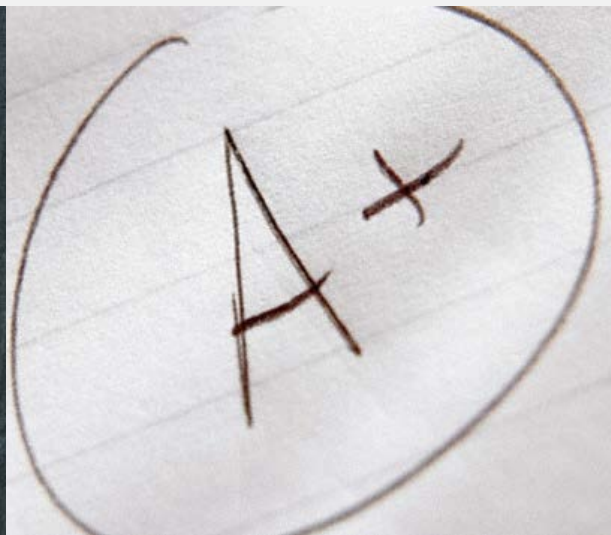
Shared Costs / Member



Communicating Equalization Aid Local Variables

- Ongoing throughout the year
- Example:
 - Decrease in Membership
 - Decrease in Property Value
 - Increase in Spending
 - Positively Aided
 - Negatively Aided
- **Very** high level for non-board/admin
- State allocation will affect dollars available for all districts
- Other districts' position in the aid formula can impact your district

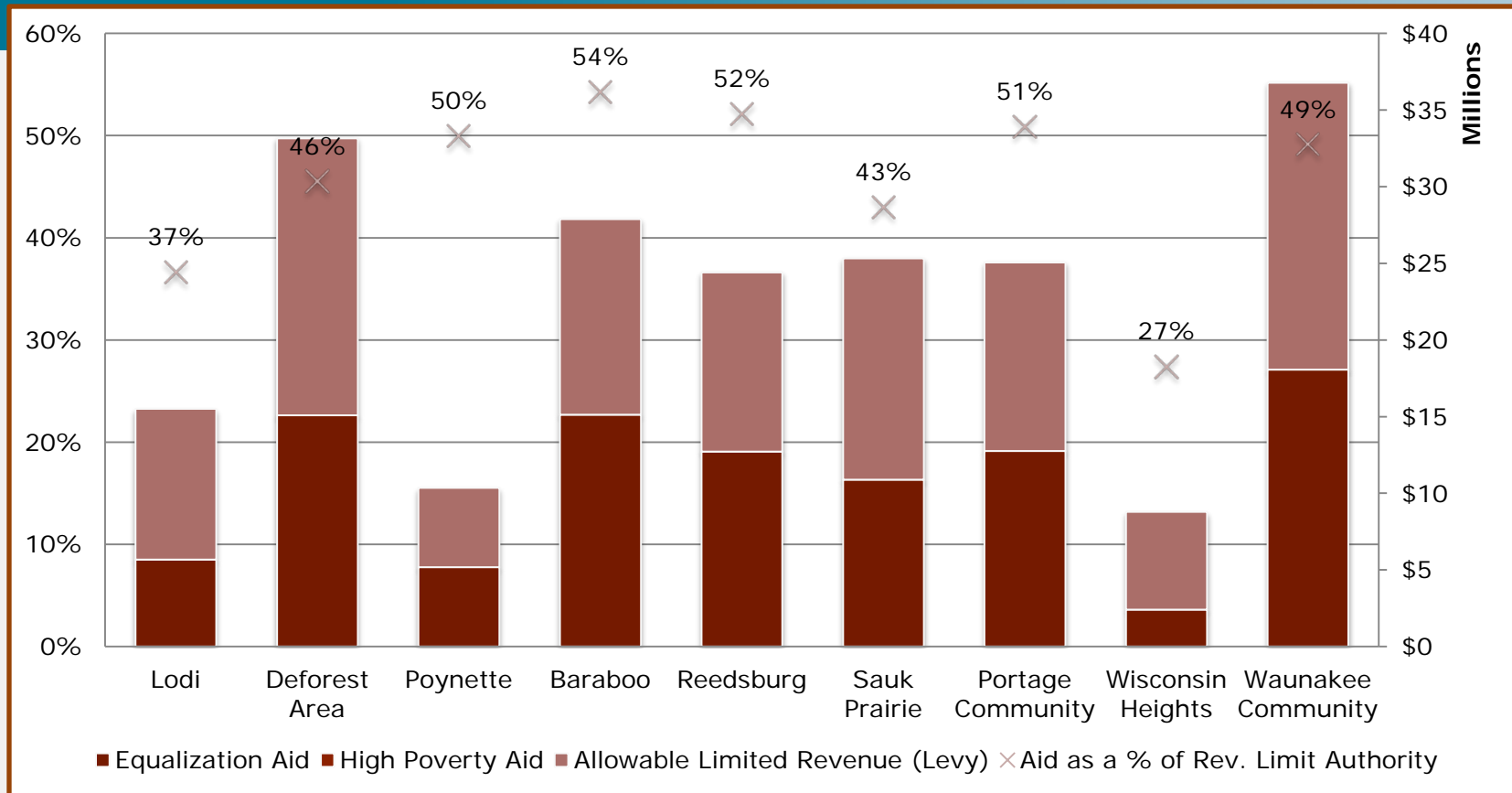
Tax Levy



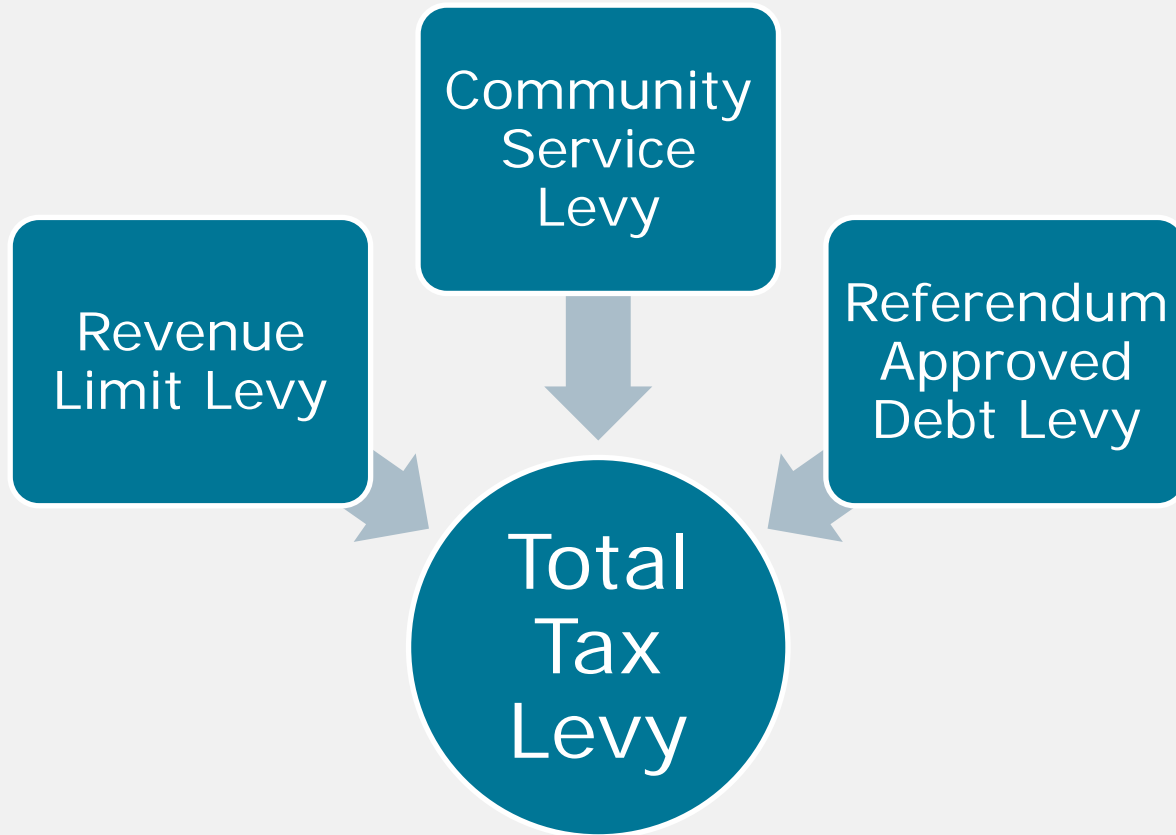
Calculating the Revenue Limit Tax Levy



Revenue Limit Composition

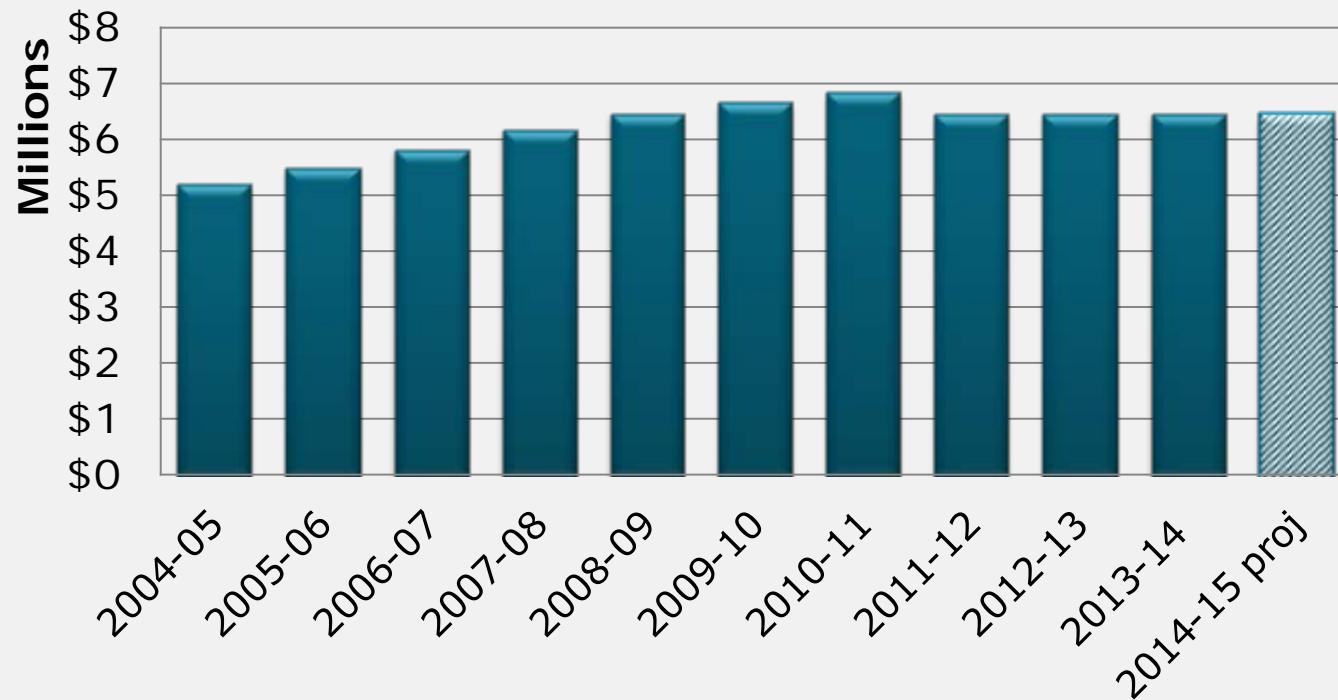


Total School Tax Levy



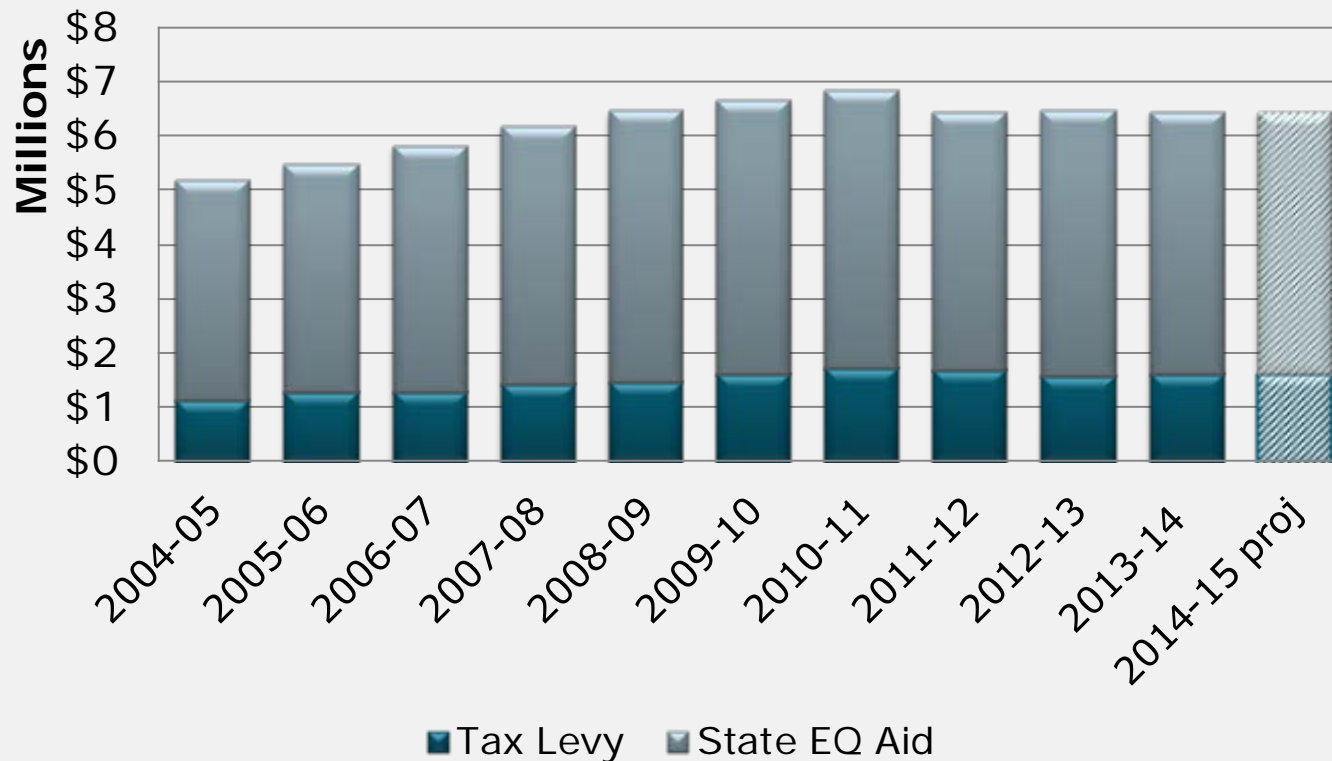
Calculating the Tax Levy—Slide Progression

Rev Limit Authority



Calculating the Tax Levy—Slide Progression

Revenue Limit Aid/Tax Levy



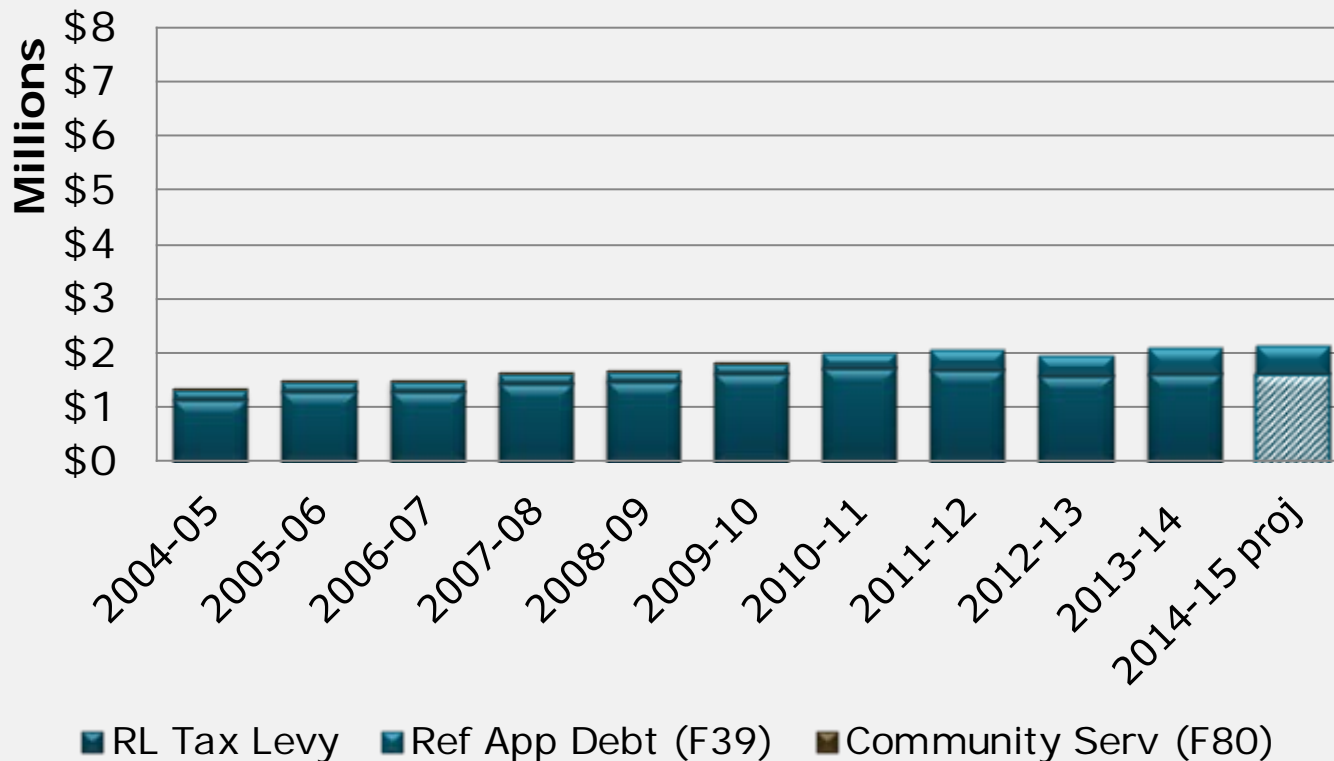
Calculating the Tax Levy—Slide Progression

Revenue Limit Tax Levy



Calculating the Tax Levy—Slide Progression

Total School-Based Tax Levy



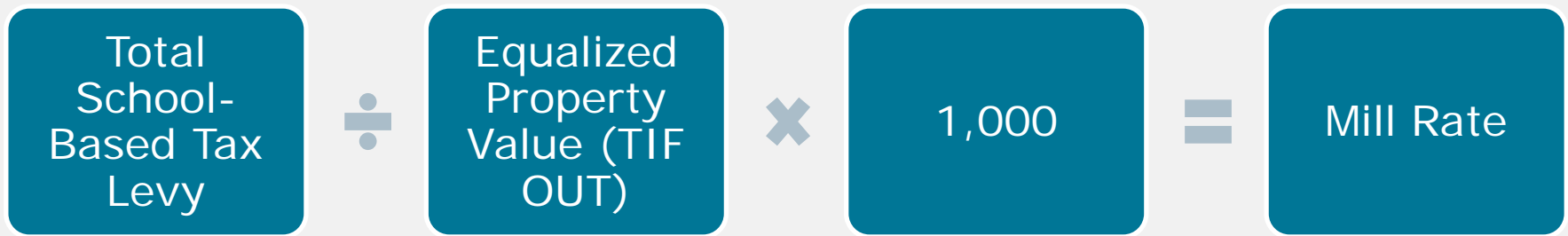
Communicating the Tax Levy

- Know the composition of your levy
- Research which fund is causing a change in the levy over the previous year
- Anticipate fluctuations, communicate and strategize

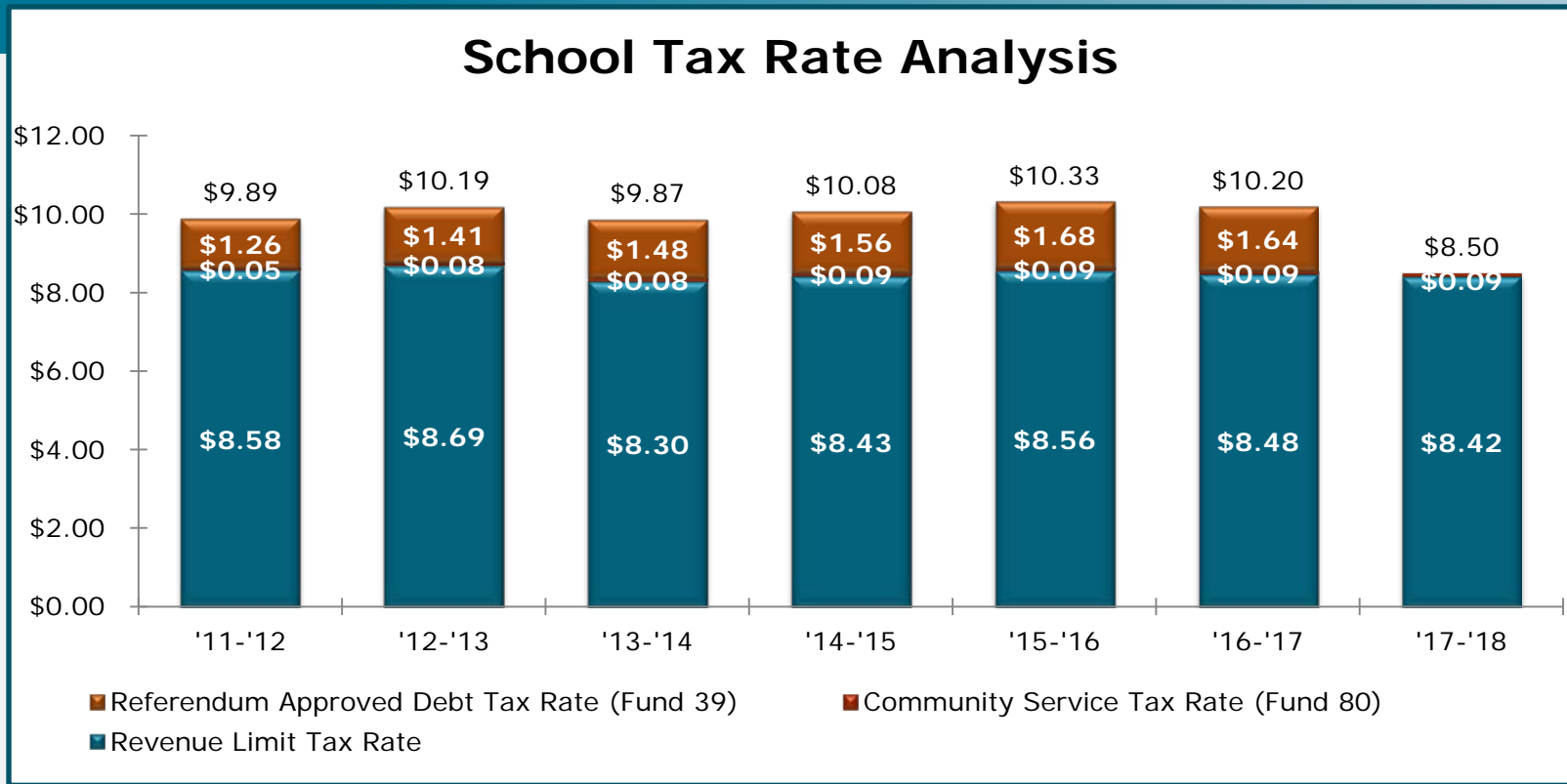
Mill Rate



What is the Mill Rate?



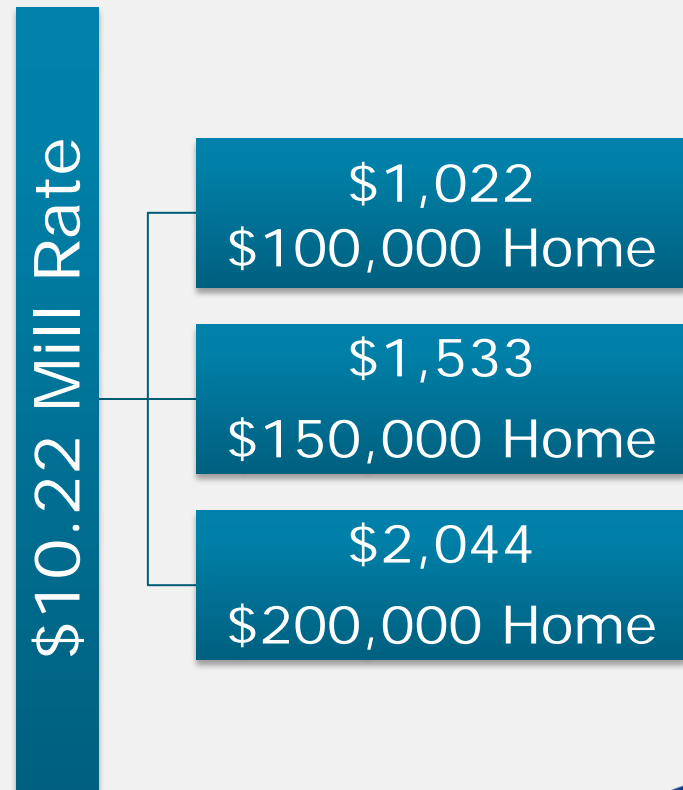
Communicating the Mill Rate



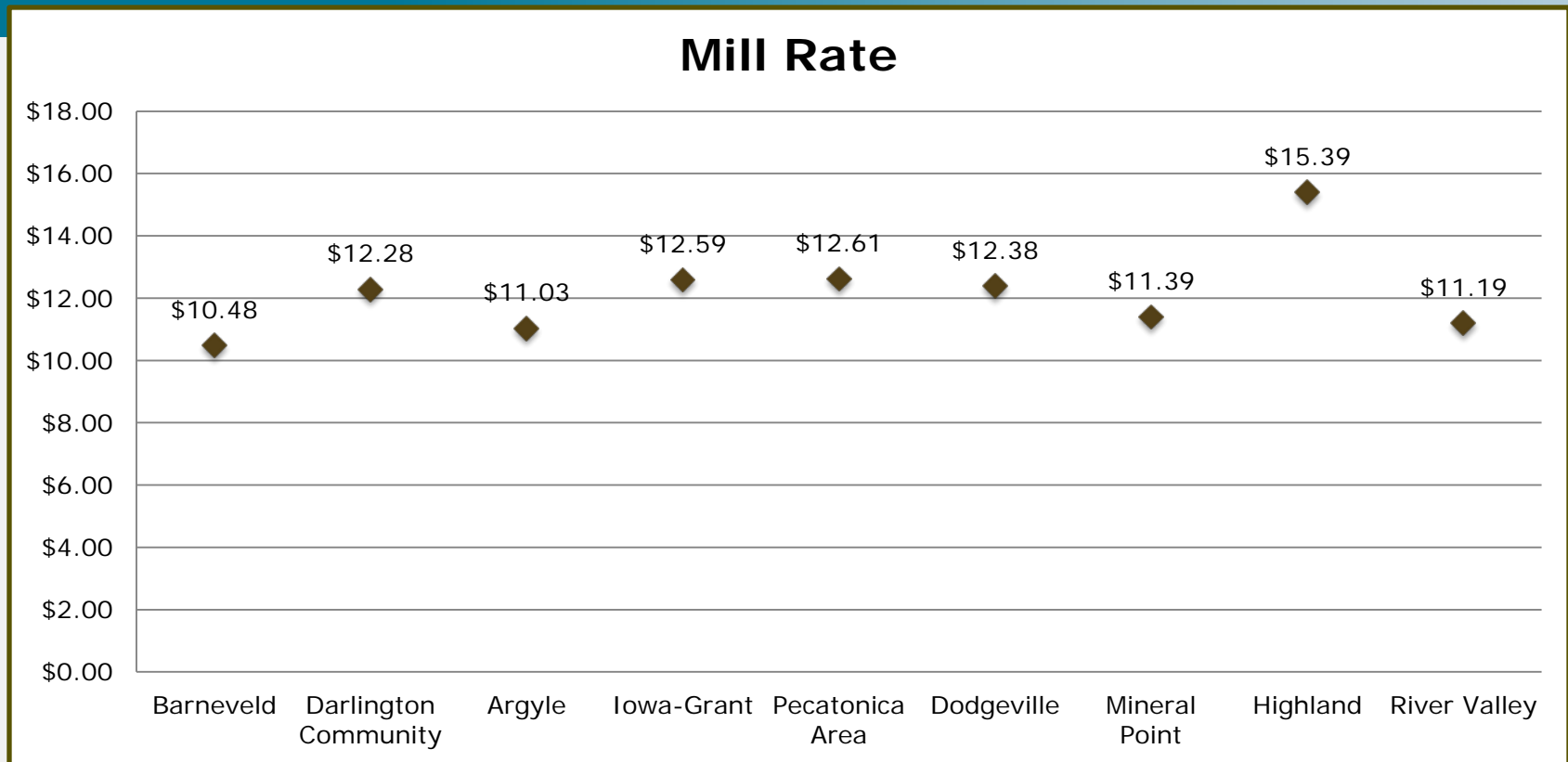
Baird Budget Model Graph

Communicating the Mill Rate

- Equalized Property Value not Assessed Value
- Calculate district-specific home value ranges
- Changes in the Tax Levy and Equalized Value will impact the Mill Rate



Mill Rate Comparison



Property Value



Importance and Interrelatedness Equalized Property Value

Revenue Limits

Fall Property Value

Current Fiscal Year

TIF Out = Mill Rate; Computer
Value = Computer Aid

Released by DOR on October
1

Equalization Aid

Spring Property Value

Previous Fiscal Year

TIF Out plus Computer Value

Released by DOR in May

Impact of Property Value Fluctuations

	'11-'12			'12-'13			'13-'14		
	EQ Value	% of Dist	11-12 Levy	EQ Value	% of Dist	12-13 Levy	EQ Value	% of Dist	13-14 Levy
Town of Norway	\$506,878,672	16.44%	5,445,624	\$468,989,586	15.77%	5,162,810	\$460,299,147	15.73%	5,130,887
% Change				-7.47%		-5.19%	-1.85%		-0.62%
City of Muskego	\$2,574,423,674	83.49%	27,658,182	\$2,502,162,399	84.13%	27,544,725	\$2,462,683,755	84.16%	27,451,176
% Change				-2.81%		-0.41%	-1.58%		-0.34%
City of New Berlin	\$2,258,556	0.07%	24,265	\$3,124,040	0.11%	34,391	\$3,057,921	0.10%	34,086
% Change				38.32%		41.73%	-2.12%		-0.89%
Total	3,083,560,902	100.0%	33,128,070	2,974,276,025	100.0%	32,741,926	2,926,040,823	100.0%	32,616,150
\$ Change				(109,284,877)		(386,144)	(48,235,202)		(125,776)
% Change				-3.54%		-1.17%	-1.62%		-0.38%

In the year the total school-based tax levy decreased about 1%, the City of New Berlin saw their property taxes go up almost 42%

Impact of Property Value Fluctuations

	HISTORICAL		Current
	Actual '11-'12	Actual '12-'13	Budget '13-'14
TAX LEVY:			
Equalized Valuation (TID OUT)	\$168,975,101	\$178,619,026	\$181,221,566
Growth in Equalized Valuation		5.71%	1.46%
TOTAL FUND 10 LEVY	\$1,141,823	\$1,093,294	\$1,357,640
Plus: FUND 39 LEVY	\$601,465	\$610,721	\$611,768
Plus: FUND 38 LEVY	\$0	\$0	\$48,690
Plus: FUND 41 LEVY	\$0	\$0	\$0
Plus: FUND 80 LEVY	\$25,000	\$0	\$0
Chargeback Levy	\$0	\$0	\$0
TOTAL LEVY	\$1,768,288	\$1,704,015	\$2,018,098
% Increase (decrease) over previous FY		-3.63%	18.43%
TOTAL TAX RATE PER \$1,000 EQUALIZED VALUE	\$10.46	\$9.54	\$11.14
Revenue Limit Tax Rate	\$6.76	\$6.12	\$7.76
Community Service Tax Rate (Fund 80)	\$0.15	\$0.00	\$0.00
Referendum Approved Debt Tax Rate (Fund 39)	\$3.56	\$3.42	\$3.38

2012-2013

2013-2014

• Increase in Property Value—decreases mill rate

• Decrease in EQ Aid and moderate property value growth—increases mill rate

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Reassessment Ramifications

Average Increase in Assessed Value = 40%

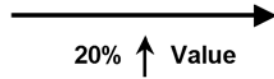
Total \$ Levy Remains Constant . .

Therefore . . . Tax Mill Rate is Reduced

**BEFORE
REASSESSMENT**



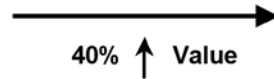
**LOWER
Relative
Re-Assessment**



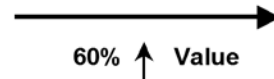
**AFTER
REASSESSMENT**



**AVERAGE
Relative
Re-Assessment**



**HIGHER
Relative
Re-Assessment**

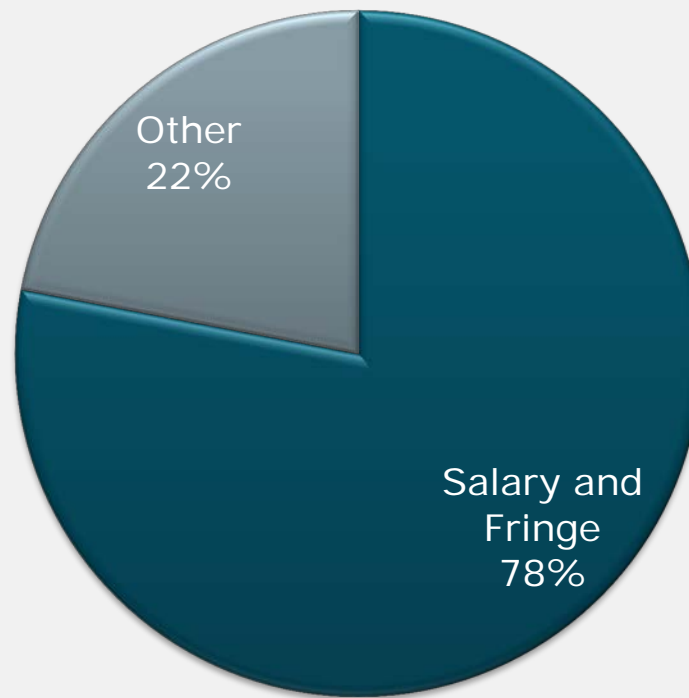


Salary and Fringe Benefits



Why are Salary and Fringe Benefits Important?

District Operating Expenditures



Know your Data

Salary/Benefit Data by Group

Row Labels	Values									
	# FTE	Salary	Health	Dental	WRSER	EmpFICA	LTDIns	Life Ins	TTLOther	TTL COMP
Admin	9.00	\$841,281	\$101,830	\$5,269	\$40,196	\$52,118	\$2,683	\$1,374	\$12,000	\$1,050,751
Non-Grouped	5.57	\$347,012	\$58,927	\$2,702	\$14,635	\$18,977	\$824	\$158		\$443,235
Other		\$303,000	\$0	\$0	\$10,148	\$23,180	\$0	\$0		\$336,328
Teacher	84.10	\$4,757,956	\$1,109,916	\$57,240	\$279,090	\$363,282	\$20,754	\$17,989	\$0	\$6,606,227
HS Principal Secretary	1.00	\$38,220	\$0	\$0	\$2,255	\$2,924	\$172	\$33		\$43,604
Level II Full Time Custodial	6.00	\$242,736	\$91,382	\$5,208	\$13,585	\$17,615	\$1,036	\$199		\$371,761
Supervision Aide	3.00	\$24,750	\$0	\$0	\$1,460	\$1,893	\$0	\$0		\$28,104
Intervention Specialist	5.00	\$54,675	\$0	\$0	\$3,226	\$4,183	\$0	\$0		\$62,083
Special Ed Aide	11.00	\$210,796	\$0	\$0	\$12,437	\$16,126	\$949	\$182		\$240,489
Secretary	4.50	\$115,074	\$0	\$0	\$6,789	\$8,803	\$518	\$99		\$131,283
Level I Maintenance	1.00	\$42,973	\$20,896	\$958	\$2,535	\$3,287	\$193	\$37		\$70,880
Lunch/Playground Supervisor Aide	12.00	\$29,160	\$0	\$0	\$1,720	\$2,231	\$0	\$25		\$33,136
Special Ed Aide -- Paid as Secretary	1.00	\$23,477	\$0	\$0	\$1,385	\$1,796	\$106	\$20		\$26,783
Principal Secretary	2.00	\$55,500	\$0	\$0	\$3,275	\$4,246	\$250	\$48		\$63,318
Level I Full Time Custodial	1.00	\$37,606	\$10,448	\$479	\$2,170	\$2,813	\$165	\$32		\$53,714
Level II Part Time Custodial	1.00	\$24,794	\$0	\$0	\$1,414	\$1,833	\$108	\$0		\$28,148
Grand Total	147.17	\$7,149,009	\$1,393,400	\$71,857	\$396,320	\$525,306	\$27,757	\$20,197	\$12,000	\$9,589,845

Visual from Baird COMP Module



Analyzing Salary Schedule Increases

Teacher	
1	34,000
2	35,200
3	36,400
4	37,600
5	38,800
6	40,000
7	41,200
8	42,400
9	43,600
10	44,800
11	46,000
12	47,200
13	48,400
14	49,600
15	50,800
16	52,000
17	53,200
18	54,400
19	55,600
20	56,800
21	58,000
22	59,200
23	60,400
24	61,600
25	62,800

Teacher		1	2	3	4	5	6	7	8	9
1		33,147	33,901	34,671	35,452	36,248	37,057	37,883	38,718	39,569
2		34,463	35,253	36,056	36,872	37,705	38,549	39,408	40,280	41,166
3		35,779	36,603	37,442	38,294	39,161	40,040	40,934	41,842	42,763
4		37,095	37,955	38,828	39,715	40,617	41,531	42,461	43,403	44,359
5		38,411	39,306	40,214	41,136	42,073	43,023	43,987	44,964	45,955
6		39,726	40,656	41,601	42,557	43,529	44,513	45,513	46,525	47,551
7		41,043	42,007	42,987	43,978	44,986	46,004	47,039	48,086	49,147
8		42,359	43,358	44,372	45,400	46,441	47,495	48,565	49,648	50,744
9		43,675	44,709	45,758	46,821	47,897	48,987	50,093	51,209	52,340
10		44,991	46,060	47,144	48,242	49,354	50,478	51,618	52,770	53,936
11		47,411	47,532	48,530	49,663	50,810	51,969	53,144	54,332	55,533
12			50,288	51,083	51,142	52,266	53,461	54,670	55,893	57,129
13					53,731	54,948	56,178	57,422	58,680	59,952

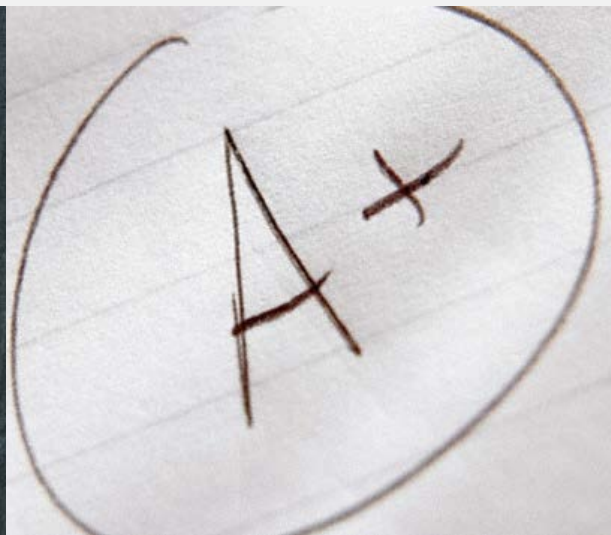
Total cost of schedule

Average \$ movement each year

Sustainability analysis

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Debt Service



Referendum vs. Non-Referendum Debt

Non-Referendum Debt

- Fund 38
- Inside Revenue Limit calculation
- Debt issued without referendum approval
- \$1,000,000 maximum; additional borrowing authority possible through petition process

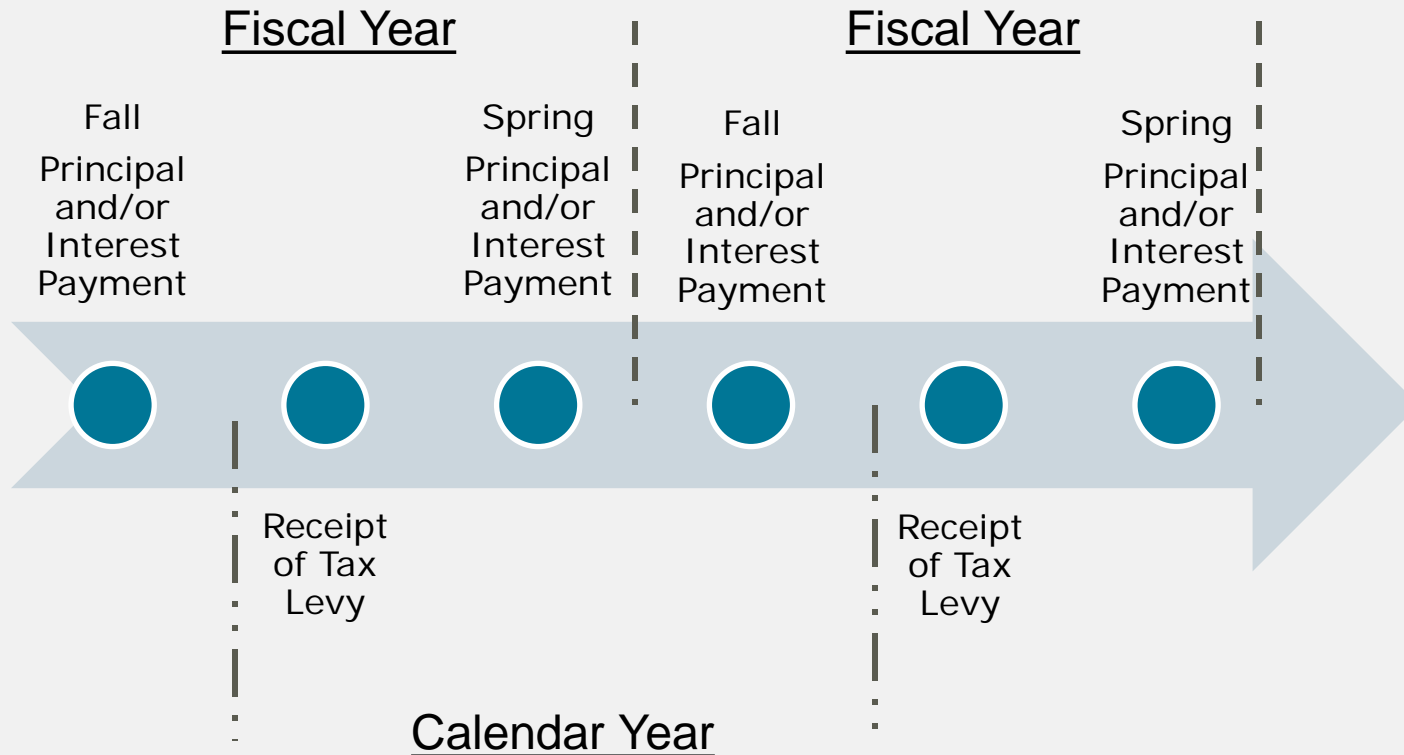
Referendum Approved Debt

- Fund 39
- Outside Revenue Limit Calculation
- Debt issued with referendum approval

Maximum Authority for Total District Debt

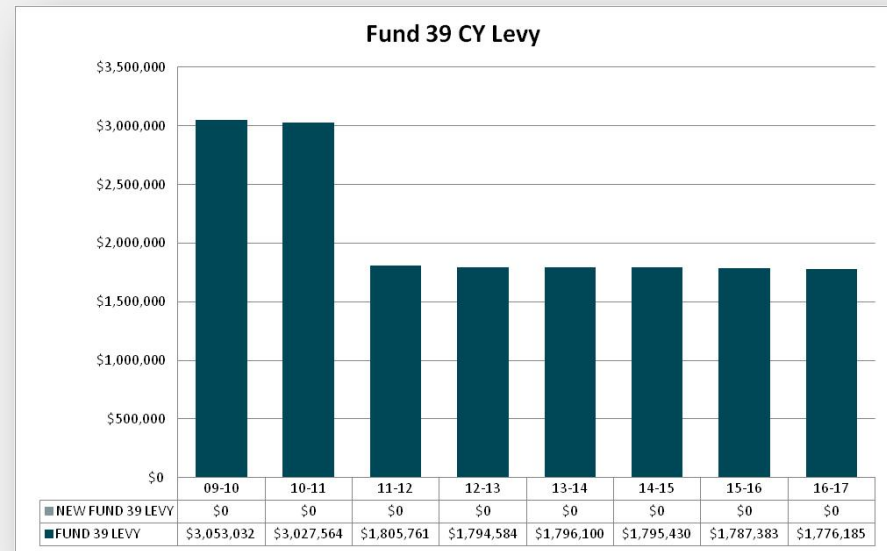
- 10% of TID-IN Equalized Property Value

Revenue / Expenditure Budgets



Communicating Debt Service

- Included in Equalization Aid shared cost calculation
- Fund 38 and 39 impact the total district tax levy differently
- Provide opportunities to manage the levy
 - Energy efficiency exemption



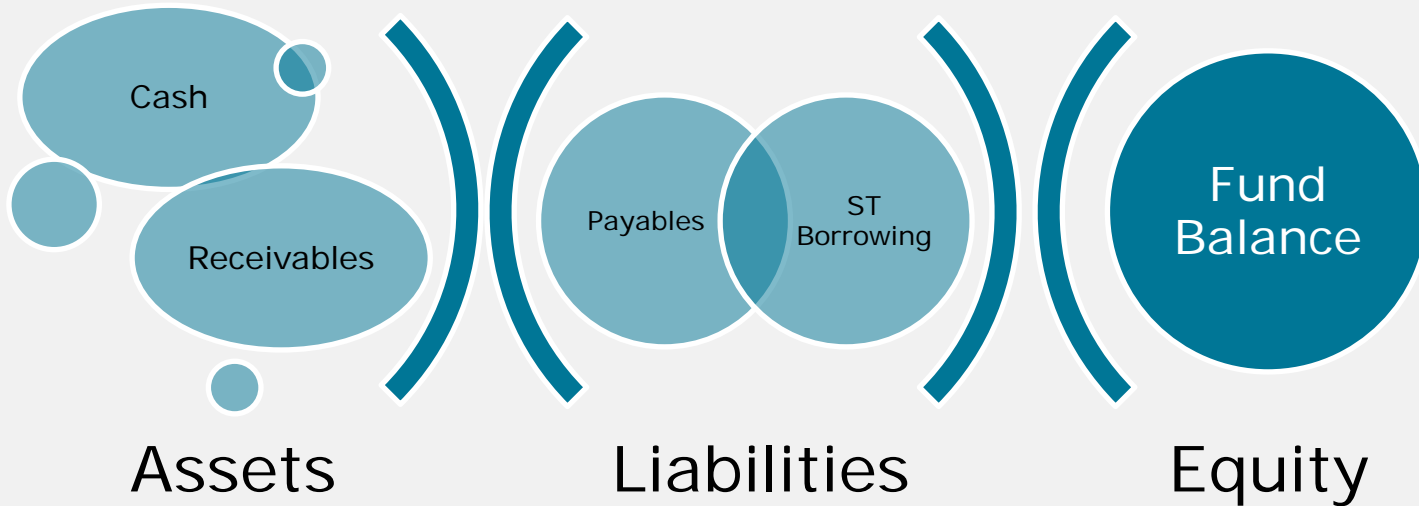
Baird Budget Model Graph



Fund Balance



Fund Balance



Fund Balance \neq Cash

Fund 10 General Fund - Balance Sheet Accounts

Account	Description	Beginning of Year	End of Year
700000 Assets			
10B-711000	Cash	1,687,971.40	518,985.84
10B-713100	Taxes Receivable	886,044.41	871,968.73
10B-713200	Accounts Receivable	1,754.38	502,229.54
10B-714000	Due From Other Funds	66,536.25	15,037.37
10B-715000	Due From Other Governments	184,960.66	154,994.34
	Total Assets (700000)	2,827,267.10	2,063,215.82
800000 Liabilities			
10B-811100	Temporary Notes Payable	1,600,000.00	0.00
10B-811200	Accounts Payable	150,000.00	553,923.28
10B-811600	Payroll Withholdings and Benefits Payable	0.00	407,066.21
10B-811700	Accrued Temporary Note Interest Payable	11,709.76	0.00
10B-813000	Due to Other Governments	0.00	6,867.00
	Total Liabilities (800000)	1,761,709.76	967,856.49
900000 Fund Equity			
10B-939900	Unassigned Fund Balance	1,065,557.34	1,095,359.33
	Total Fund Equity (900000)	1,065,557.34	1,095,359.33

Other



Questions?

