



410 South Commercial Street • Neenah, WI 54956 • Tel: (920) 751-6800 • Fax: (920) 751-6809

Memo To: Board of Education

From: Central Office Administrative Team

Date: January 29, 2013

RE: 2013-14 Neenah Joint School District Budget Framework

Introduction

This “budget framework” model is an effort by the administration to identify the key philosophical, as well as economical, pieces of the 2013-14 budget and build around those pieces to develop a comprehensive budget to support student learning.

A number of items contained in this budget framework can be considered as recurring – existing or additional staff and their associated labor costs, a salary plan in general, and post employment benefit commitments. Likewise, there are costs that can be considered non-recurring (one time costs unique to this budget) such as specific major maintenance projects, technology purchases, or additional contributions to the post employment benefit trust fund. As we develop the 2013-14 budget it will be important to identify those costs that are recurring versus non-recurring.

Following are several key components, or assumptions, included in the budget framework. In addition, we have identified several of the larger costs included in the 2013-14 budget framework and compared those costs to the current year budget.

State of Wisconsin 2013-15 Biennial Budget

Key to the development of the District’s 2013-14 budget is information that will be contained in Governor Walker’s Biennial Budget Address to be delivered on Wednesday, February 20, 2013. Although we are not anticipating anything approaching the changes to school district funding that were contained in the State’s previous biennial budget, there is still an element of uncertainty as we develop our own budget framework. We do expect, however, that the current revenue limit formula will remain largely in place and that districts will be allowed to increase their spending by \$100/pupil. Our budget will also levy to the maximum allowed by the formula.

We are also assuming that the one-time categorical aid of \$50/pupil, only available to districts with strings attached (levy “to the max required”), will disappear from the budget and that money will consequently be folded into the equalization aid formula.

Associated with the revenue limit is the amount of state equalization aid that will be distributed to K-12 education during the next two fiscal years. As you recall, equalization aid received by the Neenah Joint School District from the State of Wisconsin has decreased by \$4.2 million during the past two fiscal years. At this early stage of budget development, and prior to hearing state budget specifics, we are projecting no change from our 2012-13 equalization aid amount (\$28.3 million).

Early speculation on what may be contained in the education funding portion of the state budget centers on financial incentives for student improvement, and bonuses for Districts and/or staff for making these achievements. We will find out more after the state biennial budget is unveiled on February 20, 2013.

Pupil Enrollment

As mentioned during the last several budget hearings, the Neenah Joint School District pupil enrollment has been gradually declining. In fact, from the 2008-09 school year to the estimated enrollment in 2013-14, the District has declined by 99 students (revenue limit count). While this does not seem like an exceedingly high number, remember that each student generates approximately \$9,300 of “spending ability” for the District. Consequently, the District will have lost over \$920,000 of revenue limit authority when comparing the 2013-14 projected student enrollment to the student enrollment of 2008-09.

Relative to the state’s open enrollment program, we will continue to project a net “outflow” of students for next year and into the foreseeable future. Each student moving between districts in the 2012-13 school year takes \$6,445 of equalization aid with them. With an estimated 30 more students leaving the District than entering the District, we will lose just under \$200,000 in general equalization aid in 2012-13 and a similar amount in future years.

Health Insurance

To say that the Neenah Joint School District has made significant changes to its employee health insurance program over the past several years would be an understatement. The combination of favorable premium increases from insurance companies, increased employee premium contributions, implementation of the health insurance buyout program, and movement to a standard High Deductible Health Plan (HDHP) have all contributed to a substantial reduction in the total cost of health insurance in the District.

The changes to the District’s health insurance program will continue in 2013-14. This time, however, the changes could be driven more so by the Federal Affordable Care Act of 2010 than by decisions at the state or local level. With many major provisions of the Act expected to be enacted by January 1, 2014 and full implementation of the law not expected until 2020, the District will be preparing for a series of mandates, subsidies, and credits that will need to be managed to minimize costs and create financial opportunities. Much like the confusion and uncertainty that revolved around the implementation of

Wisconsin Act 10 two years ago, administration has started to study, analyze, and evaluate the various possibilities in employee health care in 2013-14 and beyond.

At the very least, the District will explore opportunities to bid out our health insurance program or pursue a self-funded health insurance program option. Our budget estimates for 2013-14 health insurance costs anticipate some very aggressive and favorable pricing.

Recall that the District has just finished a phase-in of switching to a calendar year (January 1) health insurance plan. In our current fiscal year (July 1), the District has benefited from one-half year of these changes. In 2013-14, the District will benefit from the other six month period of these changes – most notably, the change to the High Deductible Health Plan.

Staffing

The District has been diligent in establishing low class sizes at the elementary level as well as core subjects at the secondary level. The traditional process for reviewing staffing needs in the District has begun as student enrollments are being projected for next year, class sizes are being analyzed, and student course requests are being finalized. This process will normally produce a small increase or decrease in faculty staffing. Although the official staffing proposal will come to the Board of Education for action at their March meetings, this budget framework already incorporates an additional 2.0 faculty FTE into the 2013-14 budget. In addition, 5.0 existing support staff FTE have been reclassified to comply with labor regulations and will now be eligible for employee insurance packages.

Other Post Employment Benefits (OPEB)

As the Board of Education is aware, the District is transitioning to a new post employment benefit program for all staff. For the purposes of this framework, we have anticipated that seven individuals will elect to end their active employment and accept the new benefit package effective July 1, 2013. This may create further options or opportunities to review current staffing needs in several areas. The District will continue to budget for, and meet, the obligations to our existing retirees. As the District transitions to the new post employment benefit program, the annual costs of the program will change. The annual expenditure trend for all OPEB benefits is decidedly downward; we anticipate spending \$300,000 less in 2013-14 than will be spent on OPEB benefits in 2012-13.

General Fund Balance

Much discussion has ensued regarding the District's current General Fund balance (Fund 10). Fortunately, the size of our General Fund balance provides the District with some financial opportunities that do not exist in other school districts. As recently adjusted, the District is planning to use approximately \$650,000 of fund balance to balance the 2012-13 General Fund budget. This budget framework, as presented, would use an additional \$1,050,000 of General Fund balance to balance the 2013-14 budget.

For planning purposes, the District has utilized a budget forecasting tool from the PMA Financial Network. When looking to the future, and estimating future pupil enrollments, state support, labor costs, etc., we see a need to utilize fund balance on a recurring basis. Representatives from PMA will be in attendance at an upcoming Board of Education meeting to provide insight into the 2013-14 budget as well as forecast future years' budgets.

Summary

The District's Business Office continues to monitor local, state, and national economic trends. We are in constant communication with the State of Wisconsin and the Department of Public Instruction. Decisions made in Washington, D.C. and Madison, Wisconsin, sometimes with little warning, can have a significant impact on District finances.

One thing is for certain. Events will happen that will cause some budget estimates to change between now and November 5, 2013 (property tax levy certification). However, we believe that this "framework" outlines very clearly the budget priorities for the Neenah Joint School District as they should exist in 2013-14.

The first draft of the 2013-14 Neenah Joint School District budget will be presented to the Board of Education in April 2013. At that time, we anticipate that the state budget and its impact on local education will be more apparent. Additionally, the staffing process will be complete and we should have more direction and guidance in the health insurance area.

Upcoming Events pertaining to the 2013-14 Budget Development

Health Insurance Discussion (Affordable Care Act) - Ongoing
Governor Walker's Biennial Budget Proposal – February 20
NJSD Early Authorization – Major Maintenance Projects – February
NJSD Staffing Requests – March
NJSD Staff Negotiations (Base wages) – April/May
Employee Policy Manual Updates (as necessary) – May/June
Student Fees and Other Revenues Discussion – May/June
Wisconsin Retirement System Required Contribution Rate Notice (2014) – September
Health Insurance Premium Rates (2014) – October
Insurance Open Enrollment Period – November
Adopt 2013-14 District Budget and Certify Property Tax Levy – November

Early Authorization of Major Maintenance Projects

As mentioned above and also identified in the accompanying table and Appendix A, the administration is recommending the inclusion of \$1,921,000 in the 2013-14 budget to address necessary capital improvements. Although we will discuss the major

maintenance budget in depth at an April Board meeting, certain capital improvement projects require a longer lead time. The longer lead times can be attributed to a project's complexity (plan, design, build), a desire for the project to meet the District's timelines (summer completion), or unique, customized pieces of equipment (HVAC projects). As a result, we are recommending that the Board of Education authorize the following projects for inclusion in the 2013-14 budget.

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| • Neenah High School – replace roof #21 | \$274,000 |
| • Neenah High School – replace roof #22 | 717,000 |
| • Shattuck – New grease trap | 80,000 |
| • Coolidge – New entry drive | 25,000 |
| • Coolidge – New parking lot | 55,000 |
| • Horace Mann – Abate boiler room | 55,000 |
| • Horace Mann – Replace boiler | 300,000 |
| • Administration Building – Replace N & S windows | 90,000 |

Total (Early Authorization)	\$1,596,000
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After Board authorization, the Administration will take the necessary steps to ensure that these projects would start immediately after the 2012-13 school year and be completed prior to the opening of school in September 2013. If there are any significant changes in the cost amounts we have projected, we will return to the Board of Education for approval.

Major Category	2012-13 Budget	2013-14 Est Budget	Difference
Revenue Limit – Increase of \$100 per pupil, decrease of 26 pupils in 3-year revenue limit formula, use all levy carryover from previous year	60,098,421	60,202,910	104,489
Staffing (Fund 10) – Additional 2.0 FTE teaching positions. Reclassify 5.0 FTE support staff positions - eligible for insurance benefits due to hours worked, etc.	0	181,000	181,000
Existing Staff Salaries – Appropriation of funds for negotiated increases and performance pay. This allocation also maintains a minimum faculty starting salary of \$40,500.	35,835,549	36,978,159	1,142,610
<ul style="list-style-type: none"> • Benefits associated with above (FICA/WRS) 	4,990,100	5,153,493	163,393
Employee Health Insurance –	8,515,612	8,085,612	(430,000)
<ul style="list-style-type: none"> • High Deductible Health Plan (adjust to fiscal year) • Full year of 12.6% contribution – all employees • New Health Insurance vendor, self-fund, etc. • Continue \$2,000/\$1,000 contribution to HSA • Health Insurance Buyout – continue & six month adjustment • General premium increase 			
Employee Dental Insurance – The District’s self-funded dental insurance program continues to perform well.	531,151	536,151	5,000
Major Maintenance – We are recommending that the amount allocated for capital projects increase significantly. Projects will include roof replacement at Neenah High School and boiler replacement at Horace Mann. Details in subsequent Board and/or Committee meetings.	1,429,000	1,921,000	492,000
OPEB Trust Additional Contribution – We are recommending maintaining the additional contribution of \$1,500,000 into our Fund 73 Employee Benefit Trust.	1,500,000	1,500,000	0
Wisconsin Retirement System – At this point, we will increase the required employer contribution to the WRS by 0.375%. The actual percentage will not be known until Sept/Oct and will be adjusted on January 1, 2014.	2,136,301	2,263,768	127,467

Major Category	2012-13 Budget	2013-14 Est Budget	Difference
Retirees – We are estimating that seven employees will retire under the terms of the District’s new OPEB program. The District’s existing HRA program will be discontinued. Final notices of intent to retire are not required from certain staff until later in the spring.	677,800	751,000	73,200
OPEB Cost – The total district payments (stipend and insurance) to retirees under the “old” post employment benefit plan	4,608,100	4,205,700	(402,400)
Technology Budget – We plan to continue the Digital Conversion Plan as proposed. This will include an additional three year lease beginning with the 2013-14 fiscal year. Adjustments will be made to this plan as technology and associated costs change.	1,270,000	1,314,000	44,000
Learning and Assessment Materials Budget - Traditionally, money has been budgeted for new textbook adoptions or particular transitions (trimester to semester). This increase will primarily be due to a new textbook/E-book adoption ????	265,000	418,960	153,960
Transfer to Debt Service Fund – To use a portion of the General Fund balance and lower the property tax levy, funds were transferred to the Debt Service Fund; from the General Fund; in 2012-13. This will not occur as our long-term debt is essentially paid off.	1,329,000	0	(1,329,000)
Transfer to Special Program Fund (Fund 27) – This transfer; from the General Fund; to Fund 27; will increase due to the reduction of state categorical aid to support Special Education. This rather large reduction will be unique to many districts in 2013-14.	2,540,000	2,165,000	375,000
Revenues			
Use of General Fund Balance	651,988	1,050,000	398,012
One time special adjustment Categorical Aid – Not expected to be included in Revenue Limit formula; folded into General Equalization Aid formula	317,450	0	(317,450)
Special Education Categorical Aid – Reduction in local aidable special education expenses	2,540,000	2,215,000	(325,000)

Old Priority	New Priority	Project Year	Plan Year	Building	Project Description	Schedule	Estimated Cost	Comments
	1	2013-2014	1	SHATTUCK	NEW GREASE TRAP AND PLUMBING FROM KITCHEN	PLUMBING	\$ 80,000	Pipe is broken under principal's office
1	2	2013-2014	1	COOLIDGE	RECONSTRUCT ENTRY DRIVE	SITE	\$ 25,000	Most-used pavement at the building - in bad shape
2	3	2013-2014	1	COOLIDGE	RECONSTRUCT NE LOT	SITE	\$ 55,000	Extensive garbage truck damage
16	4	2013-2014	1	NHS	REPLACE ROOF 21	ROOF	\$ 274,000	Same as Roof C (replaced summer of 2011) - which was found to be in OK condition; however recent condition changes are concerning
33	5	2013-2014	1	NHS	REPLACE ROOF 22	ROOF	\$ 717,000	Same as Roof C (replaced summer of 2011) - which was found to be in OK condition; however recent condition changes are concerning
5	6	2013-2014	1	SHATTUCK	REPLACE CAFETERIA CARPET WITH TILE (ABATE ASBESTOS TILE)	ABATEMENT	\$ 50,000	Carpet in a cafeteria is not a good idea / in bad shape
7	7	2013-2014	1	HORACE MANN	ABATE BOILER ROOM	ABATEMENT	\$ 55,000	Precursor to boiler replacement
8	8	2013-2014	1	HORACE MANN	REPLACE BOILER SYSTEM	BOILER	\$ 300,000	Switch to hot water system = energy savings
9	9	2013-2014	1	NHS	REPAIR SECTION D HVAC PIPING	HVAC	\$ 50,000	Preventative maintenance - pipes are getting thin
12	10	2013-2014	1	ADMINISTRATION	REPLACE NORTH AND SOUTH WINDOWS	WINDOWS	\$ 90,000	Original windows - 1907
4	11	2013-2014	1	NHS	RESIDE CONANT	BUILDING	\$ 120,000	Stone façade currently crumbling
3	12	2013-2014	1	DISTRICT-WIDE	BLEACHER REPAIRS	BUILDING	\$ 30,000	Preventative maintenance and repair
14	13	2013-2014	1	DISTRICT-WIDE	LUNCH TABLE REPLACEMENT	FURNITURE	\$ 45,000	Yearly replacement - about 45 tables
15	14	2013-2014	1	DISTRICT-WIDE	REPLACE WINDOW BLINDS	FURNITURE	\$ 30,000	Yearly replacement

Year 1 TOTAL \$ 1,921,000

		2014-2015	2	SPRING ROAD	REPLACE ROOF 1, 1B, 2 & 3	ROOF	\$ 143,769	
		2014-2015	2	CLAYTON	REPLACE ROOF 7 & 8	ROOF	\$ 184,820	
		2014-2015	2	TULLAR	REPLACE ROOF 4, 5 & 7	ROOF	\$ 251,200	
27		2014-2015	2	CLAYTON	CARPET CLASSROOMS AND COMPUTER LAB	BUILDING	\$ 50,000	
6		2014-2015	2	LAKEVIEW	WALLS IN LIBRARY, NEW HVAC, A/C IN COMPUTER LAB	BUILDING	\$ 200,000	Currently using bookshelves as walls in an "open concept" classroom/computer lab
18		2014-2015	2	SHATTUCK	REPAIR NORTH STEPS	SITE	\$ 55,000	Handrails falling out, steps crumbling
19		2014-2015	2	ROOSEVELT	REPAIR FRONT STEPS	SITE	\$ 15,000	
20		2014-2015	2	TULLAR	REPLACE SOUTH STEPS	SITE	\$ 20,000	
22		2014-2015	2	NHS	RESURFACE RUNNING TRACK	SITE	\$ 100,000	Track was last patched in 2004, original surface from 1996
		2014-2015	2	NHS	INSTALL ADDITIONAL VISITOR BLEACHERS	SITE	\$ 250,000	Current visitor seating is inadequate
24		2014-2015	2	NHS	REPLACE POOL BLEACHER BOARDS	BUILDING	\$ 20,000	Preventative maintenance and repair
26		2014-2015	2	HOOVER	REPLACE BOILER SYSTEM	BOILER	\$ 200,000	Switch to hot water system = energy savings
29		2014-2015	2	SHATTUCK	ABATE EAST WING FLOOR TILE	ABATEMENT	\$ 70,000	
30		2014-2015	2	DISTRICT-WIDE	LUNCH TABLE REPLACEMENT	FURNITURE	\$ 45,000	Yearly replacement - about 45 tables
31		2014-2015	2	DISTRICT-WIDE	REPLACE WINDOW BLINDS	FURNITURE	\$ 30,000	Yearly replacement
32		2014-2015	2	NHS	REPAIR SECTION D HVAC PIPING	HVAC	\$ 50,000	Preventative maintenance - pipes are getting thin

Year 2 TOTAL \$ 1,684,789

34		2015-2016	3	HORACE MANN	REPLACE ROOF #3	ROOF	\$ 93,100	
44		2015-2016	3	WILSON	REPLACE ROOF 1, 2 & 12	ROOF	\$ 200,176	
		2015-2016	3	NHS	REPLACE ROOF 17, 18 & 19	ROOF	\$ 420,562	
35		2015-2016	3	TAFT	REPLACE BOILER SYSTEM	BOILER	\$ 200,000	
36		2015-2016	3	LAKEVIEW	REPLACE CLASSROOM WINDOWS	WINDOWS	\$ 300,000	
17		2015-2016	3	SHATTUCK	REPLACE WEST WING CLASSROOM WINDOWS	WINDOWS	\$ 220,000	Original windows - 1953
37		2015-2016	3	LAKEVIEW	ABATE FLOOR TILE - SECOND FLOOR	ABATEMENT	\$ 90,000	
40		2015-2016	3	LAKEVIEW	ABATE FLOOR TILE - FIRST FLOOR	ABATEMENT	\$ 25,000	
42		2015-2016	3	DISTRICT-WIDE	LUNCH TABLE REPLACEMENT	FURNITURE	\$ 45,000	Yearly replacement - about 45 tables
43		2015-2016	3	DISTRICT-WIDE	REPLACE WINDOW BLINDS	FURNITURE	\$ 30,000	Yearly replacement

Year 3 TOTAL \$ 1,623,838

Old Priority	New Priority	Project Year	Plan Year	Building	Project Description	Schedule	Estimated Cost	Comments
		2016-2017	4	LAKEVIEW	REPLACE ROOF 1,2,3,4,5,6,8,9,10,11,12,15	ROOF	\$ 620,470	
45		2016-2017	4	HORACE MANN	RECONSTRUCT SOUTH DRIVE	SITE	\$ 30,000	Settling around utilities, garbage truck damage
23		2016-2017	4	HORACE MANN	REPAIR RUNNING TRACK	SITE	\$ 20,000	
46		2016-2017	4	NHS	OVERLAY LOTS C, D & F	SITE	\$ 150,000	
47		2016-2017	4	NHS	REPLACE ARMSTRONG BOILER SYSTEM	BOILER	\$ 325,000	
48		2016-2017	4	NHS	REPLACE ARMSTRONG HOT WATER HEATER	PLUMBING	\$ 49,000	
49		2016-2017	4	WILSON	ABATE FLOOR TILE	ABATEMENT	\$ 75,000	
38		2016-2017	4	CLAYTON	ABATE FLOOR & CEILING TILE	ABATEMENT	\$ 30,000	
39		2016-2017	4	COOLIDGE	ABATE FLOOR TILE	ABATEMENT	\$ 80,000	
41		2016-2017	4	HORACE MANN	ABATE FLOOR TILE	ABATEMENT	\$ 150,000	
52		2016-2017	4	NHS	REPLACE PICKARD STAGE CURTAIN	BUILDING	\$ 43,000	
54		2016-2017	4	DISTRICT-WIDE	LUNCH TABLE REPLACEMENT	FURNITURE	\$ 45,000	Yearly replacement - about 45 tables
55		2016-2017	4	DISTRICT-WIDE	REPLACE WINDOW BLINDS	FURNITURE	\$ 30,000	Yearly replacement
58		2016-2017	4	SHATTUCK	ABATE ASBESTOS IN AIR HANDLER ROOM	ABATEMENT	\$ 30,000	

Year 4 TOTAL \$ 1,677,470

		2017-2018	5	SHATTUCK	REPLACE ROOF 3,3A,3B,4,5,5A,5B,6,10	ROOF	\$ 906,509	
197		2017-2018	5	HOOVER	RENOVATE BATHROOMS	BUILDING	\$ 40,000	
53		2017-2018	5	SHATTUCK	REPLACE CENTRAL SECTION LIGHTS	BUILDING	\$ 30,000	
59		2017-2018	5	SPRING ROAD	REPLACE 1926 ADDITION WINDOWS	WINDOWS	\$ 40,000	
73		2017-2018	5	SHATTUCK	REPLACE EAST WING WINDOWS	WINDOWS	\$ 250,000	
50		2017-2018	5	NHS	RECOVER EXTERIOR FIELDHOUSE BEAMS	BUILDING	\$ 30,000	
		2017-2018	5	NHS	PRESS BOX AND SOUND SYSTEM @ ROCKET STADIUM	SITE	\$ 210,000	
		2017-2018	5	NHS	ADDITIONAL RESTROOMS AT ROCKET STADIUM	SITE	\$ 100,000	
28		2017-2018	5	NHS	REPLACE FIELDHOUSE LIGHTS	BUILDING	\$ 60,000	
60		2017-2018	5	TAFT	ABATE FLOOR TILE - LIBRARY	ABATEMENT	\$ 55,000	

Year 5 TOTAL \$ 1,721,509

Year 1 TOTAL	\$	1,921,000
Year 2 TOTAL	\$	1,684,789
Year 3 TOTAL	\$	1,623,838
Year 4 TOTAL	\$	1,677,470
Year 5 TOTAL	\$	1,721,509

