



To: Board of Education Members
Dr. Mary Pfeiffer, District Administrator
From: Kathleen Davis, Assistant District Administrator of Business Services *KD*
Central Office Team Members
Date: March 11, 2014
RE: 2014-15 Budget Framework

**Neenah Joint School District Budget Framework Presentation
Reflects Expenditure Adjustments and Revenue Enhancements for the 2014-2015
School Year**

Introduction

The Administration is requesting that the Board of Education authorize them to proceed with the development of the 2014-15 budget by incorporating the individual components as presented in the following report.

This budget concept was developed with the understanding that

- 1) the Board of Education will levy a property tax to the maximum allowed by the state revenue limit formula,
- 2) there is no significant change in the state aid funding formula, and
- 3) the District enrollment remains stable.

The Administration is recommending that a portion of General Fund balance be used to finance facility and technology improvements needed for the re-opening of Washington Early Learning Center. With the exception of using fund balance for this project, it is anticipated that the District will prepare and present a balanced budget. As budget development continues throughout the summer months and as revenues and expenditures become more certain, the Administration is confident that the District will have a revenue limit compliant budget by September.

Historical Perspective

School districts across Wisconsin have continually been faced with the need to make budgetary and operational adjustments in order to survive in the confinements of the state's revenue limit formula. Over the years Neenah has been no exception to this process. Previously, Neenah has

engaged in an operating budget review by Baker Tilly, has made employee health insurance benefit adjustments, made Other Post-Employment Benefits (OPEB) changes, and other reductions and revenue enhancements to help maintain the District's fiscal stability. In preparation of the 2014-15 budget, the District enlisted the services of PMA Financial Network, Inc. to develop a long-range financial forecast. PMA's forecast provided administration with a comprehensive review of historical numbers and data, staffing projections, state and federal funding formulas, and other areas that could impact the financial future of the District. Using this forecast tool we then evaluated and made adjustments for educational programming, salary and benefit assumptions, and other areas such as facility upgrades.

Once the PMA forecast model was completed, the Central Office Administrative Team met to review not only the financial impact on the 2014-15 year, but for future years as well. The Central Office Administrative Team has had several meetings to review, discuss, and finalize this 2014-15 "budget blueprint" prior to review by the Board of Education. It remains clear that the District has many needs and our priorities are reflected in this recommendation.

Significant Considerations

Many of the budget adjustments recommended in this proposal are recurring, meaning budget adjustments that are sustained year after year. An example of this is employee insurance benefit adjustments. In this budget proposal, we are recommending a review of the health insurance plan to seek out additional cost savings. This change would provide relief to the budget not only for this coming year, but in future years as well. It is not our intent to make drastic changes, but in working with our insurance consultant, we are confident that additional savings can be realized.

Although final staffing levels are still unknown at the time of this memo, the budget framework does include some adjustments to staffing. Additional staffing to accommodate the elementary restructuring has been included. Adjustments to increase the technology support staff hours and adding a full-time technology technician have also been included in this budget framework. The realignment of special education aides with licensed teachers and using trained educational nursing assistants instead of contracting for our nursing services has been included. The budget framework also includes a cost neutral plan to increase the maintenance staff by one full-time employee in lieu of using a contracted service. Anticipated retirements and replacement costs have also been included in our forecasting estimates.

In our proposal, we are also recommending reclassifying special education expenditures so that we can maximize our special education aid and use of our federally funded Flow-Thru Grant more effectively. Some of these reclassifications include switching aidable costs from the grant with items that are not aided. By doing this, the District will increase the amount of special education aid it will receive on those expenditures. All of these adjustments are within the parameters of the federal guidelines.

Several items have not yet been considered and are not reflected in this proposal. They are as follows:

- *Forecasting Variables*- The District's Business Office continues to monitor and stay current with local, state, and national economic trends. We receive continual financial updates from the State of Wisconsin and the Department of Public Instruction. The District is also keenly aware that decisions made in Washington, D.C. and Madison, WI can have a significant

impact on District finances. Sometimes these decisions are made quickly giving the District little time to plan or react.

With that in mind, our forecasts are not infallible. The fact is that our budget forecasts will change over time. A good portion of our forecasting is based on past practice, historical perspective, and developing trends.

- Structural Deficit- As state law currently exists, school districts are limited in the amount of money that they can spend each year. In 2014-15, the maximum allowable increase in spending will be \$75 per pupil or approximately .79%. There is also a per pupil categorical aid that is outside of the revenue limit in the amount of \$150 per pupil. The difference between what is needed by the Neenah Joint School District and what the state is allowing the District to spend has created a “structural deficit.” The Neenah Joint School District will resolve its anticipated 2014-15 budget deficit partly through the use of General Fund balance (Washington Early Learning Center) and other cost savings measures. However, since the use of fund balance is limited, more work will need to be done to refrain from using fund balance to meet expenditures in the future.
- Other Post-Employment Benefits- Within this budget, we will continue to allocate \$1,500,000 to our Other Post-Employment Benefit trust fund. This will be the third consecutive year we have made this contribution.
- Traditional Staffing Process- District administration is in the process of reviewing staffing levels and requests consistent with programming needs and anticipated student enrollments. The Board of Education will receive an administrative recommendation shortly after that review.

Further adjustments in staff levels may result from unanticipated enrollment changes, course requests, and other factors. It is understood that this process may lead to an increase or decrease in the final staff levels. In this budget framework, we are currently projecting no increase besides what the Board has already voted on within the elementary restructuring.

- Technology Plan Implementation- At the March 4, 2014 Board meeting, members received an overview of the District's Technology Plan. Based on feedback from the Board, we will move forward with the plan including the major areas of:
 - Restructured personnel within the Technology Department
 - Hardware and software as presented
 - Chromebooks to implement 1:1 for 7th through 9th graders
 - Schoology
 - Insurance coverage for all Chromebook devices at approximately \$60 per device for four years

Items still to be determined and that we will continue to work on are:

- Hours of access within the schools
- Student access to technology including access to the Internet for any of our students who do not have access at home
- A fee assessed to families for use of computers at home - Administrative recommendation will come forward with fee schedule in June or July

- Transition from Alio Finance/Human Resources system to Skyward Finance/Human Resources system- After a review was made of the business and human resources current software system, Alio, it was determined that Alio would not be able to function in a way that is as efficient as Skyward. With Skyward's resources, capabilities, and overall system structure, we will be able to improve processes, increase efficiencies, and eliminate waste. In addition, we will also benefit from long-term savings on software costs.

A few examples of the advantages of using Skyward versus Alio include:

- Streamlined and automated process to access financial reports and employment data that takes several steps to accomplish in Alio
- Modern and easy to use interface
- Easier access with one login and user-friendly interface, versus Alio's separate logins for their employee portal, finance/human resources portal, reporting portal, content management portal, and content viewing portal
- Ability to maintain and easily access electronic copies of all vendor contracts, invoices, employee records, and more right in the system
- Capability to streamline paper-based District processes
- Mobile app and secure internet access allows staff to view, approve, and create financial data/purchase requests virtually anywhere
- Secure data back-up to allow for all of our human resource and financial data to be recovered in case of an emergency
- Excellent customer service, with great resources for training, automatic software updates, and a proactive approach to system changes needed to comply with new reporting requirements

When comparing costs between Alio and Skyward, the additional costs needed for Alio to function at a comparable level to Skyward need to be considered. Alio's additional one-time cost would be \$68,756, with a new annual maintenance support cost of \$37,119. Skyward's one-time start up costs are \$130,056 and annual reoccurring costs are \$23,032. This would ultimately result in a long-term savings within an estimated financial payback within five years. Some of the costs incurred may be funded within the parameters of the 2013-2014 Business Department budget without using any potential underage. We are recommending the Board support the remainder of the one-time costs to be paid for in the 2014-2015 budget framework.

We have also established a partnership with Menasha who is also pursuing transitioning from Alio to Skyward. By sharing training costs we are able to save an additional \$18,325.

A Look Ahead

With our utilization of the PMA forecasting model, we are now able to get a better sense of the financial future of the District. However, the variables, both locally and at the state level, are too uncertain to generate any credible or reliable data. Needless to say, we anticipate that school districts will continue to operate in an environment where many variables will have to be monitored and considered.

Several factors will have an impact on the 2014-15 budget and continue to impact future years' budgets:

- Issues in Madison - The 2014-15 budget is the second year of the state's biennial budget. At this point, trying to project or predict what will happen at the state level after 2014-15, relative to school financing, may be challenging.
- District enrollment - The District's student enrollment increased by 29 FTE from September 2012 to September 2013. Student enrollment has a significant impact on the amount of revenues that a district can and will receive. Open enrollment may also have an impact on District finances.
- Political issues in Washington, D.C. – Although federal funds account for only 5-6% of the District's revenue, these numbers have been known to fluctuate. Final allocations of federal programs may not be known until the summer or early fall.
- Neenah Joint School District Other Post-Employment Benefits (OPEB) – Investments into the OPEB trust which are reflected in the 2014-15 budget will have a positive impact in future operating budgets. With continued contributions to the District's OPEB liability we will continue on the path of having our future liability fully funded while at the same time, offering a generous benefit to our employees.

2013-14 Celebrations

There are times that we become too focused on the task at hand and fail to recognize some of the celebrations that have resulted from our work. Some of those highlights include:

- Lowest student/staff ratio at the elementary level for our area with 21.5 students per teacher on average
- Lowest mil rate of \$8.60 (2013-14) within the Fox Valley area
- Expanded implementation to a 1:1 technology program at the 4th and 8th grades in 2013-14
- Completion or near completion of all planned maintenance projects for 2013-14
- Highest ACT scores in the area at 24.1
- Second year of the new salary schedule for the staff
- Second year of implementation of the Effectiveness Project for all certified staff

Recommended 2014-2015 Budget Framework

<i>Notable Cost Area Changes/Additions</i>	
Projected increase for recurring salary raises and performance pay for all employment categories	-\$1,196,601
Additional staffing and operational cost for reopening Washington Early Learning Center and increasing use of Taft Elementary	-\$529,063
One-time costs to reopen Washington Early Learning Center	-\$886,675
Use of capital projects fund to remodel two high school science labs	-\$160,000
Increase technology support time and add additional technician	-\$105,191
Technology budget- The 2014-15 technology budget included an increase in the amount of \$216,508 that will bring the total to \$1,561,833 for the 2014-15 school year	-\$216,508
Transition to Skyward from Alio one-time implementation costs (2013-2014 \$30,487)	-\$99,569
<i>Total Notable Cost Area Changes/Additions:</i>	<i>-\$3,193,607</i>

<i>Notable Revenue Enhancements/Benefit Changes/Reductions</i>	
Adjustment to base forecast to recognize actual vs. estimated of employee salary and benefit costs for 2013-14 that came in under budget due to new hires and transitioning staff	\$250,000
Adjustments to forecast base due to benefit changes from January 1, 2014	\$230,000
We will continue to research health and dental benefit structures with a goal to implement budget savings measures of approximately \$175,000	\$175,000
Maintenance Projects. The 2014-15 facility maintenance project budget included a decrease in the spending of \$356,000 (does not include one-time costs for restructuring the elementary schools which is indicated separately in this framework)	\$356,000
Remove computer and copier expenses for special education staff from Fund 10 to Fund 27 Flow-Thru Grant	\$50,000
Additional Special Education Aid by reallocating non-aided expenses for Fund 27 into the Flow-Thru grant and reallocating aided expenses from Flow-Thru to Fund 27	\$110,000
Utilize Coordinated Early Intervening Services Grant budget for Literacy Coach	\$70,000
Reduction in Curriculum Instruction and Assessment Budget (including wellness budget re-allocated under costs)	\$51,077
Reduction in business services reserves for vandalism fund, worker's comp additional reservations, office and technology supplies	\$21,000
Use of fund balance to cover one-time costs for restructuring elementary schools	\$886,675
<i>Total Notable Revenue Enhancements/Reductions</i>	<i>\$2,199,752</i>

Summary

As we remain committed to a passion for excellence and having made significant achievements, we must also remain fiscally responsible to our taxpayers. The purpose of this document is not to come up with equal revenues and costs. Instead, it was to provide a summary of the more significant changes for the 2014-15 school year. We are anticipating that we will be able to balance the budget with the changes outlined above in the preliminary budget framework.

Although the Board will not be voting on the budget framework, administration is seeking Board support to move forward with the items as presented and to begin building the 2014-2015 budget. The administration will be in attendance to answer any questions you may have.