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Memo To: Board of Education
 Dr. Mary Pfeiffer, District Administrator
 From: Kathy Davis, Asst. District Administrator – Business Services *idw*
 Central Office Team Members
 Date: May 29, 2014
 RE: Neenah Joint School District 2014-15 Budget – Draft #1

At their meeting on March 18, 2014, the Neenah Joint School District Board of Education was introduced to a “budget framework” that would be used to develop the 2014-15 District budget. Among the concepts that were included in the framework were salary and compensation plans, technology and major maintenance plans, and staffing estimates for 2014-15.

Subsequent to the “budget framework” discussion, the District has finalized staffing and programming needs for the 2014-15 school year, determined the short and long range technological direction of the District, confirmed the immediate major maintenance needs, adopted an elementary restructuring plan, and finalized wage and benefit plans for the 2014-15 fiscal year. Additionally, the District is now in a better position to determine significant revenue sources for 2014-15, primarily general and categorical aid from the State of Wisconsin.

KEY STATISTICS AT A GLANCE – 2014-15 Draft #1

	2013-14 Budget	2014-15 Budget	Dollar (\$) Change	Percent (%) Change
General Fund Expenditures	62,877,760	64,272,888	1,395,128	2.22%
Total Expenditures	79,811,827	80,479,210	667,383	0.84%
Total School Tax Levy	30,936,107	31,131,868	195,761	0.63%
Tax Rate/thousand (equalized)	8.60	8.53	(0.07)	(0.82%)
State General Aid	29,470,447	29,870,477	400,000	1.36%
Equalized Property Value	3,597,823,198	3,651,790,546	53,967,348	1.50%
Staff FTE	644.68	652.28	7.60	1.18%
Student FTE – Rev Limit	6,353	6,353	0	0.00%

Pupil Enrollment

A variable that affects virtually all of the financial calculations of the District is that of pupil enrollment. School district revenues are based on a three-year rolling average of

resident enrollment. Equalization Aid is calculated based on the number of students enrolled in the district in the preceding year. Classroom staffing levels are determined, in large part, based on the number of students enrolled.

At this time, we are estimating no significant change in total student enrollment when we open the doors for the 2014-15 school year in September. Other factors notwithstanding, a small change in enrollment will have a minor impact on the District's revenue limit and might eventually alter the amount of equalization aid that the District receives.

The summer school program included in this draft of the budget provides a significant addition to the District's pupil enrollment count. This enrollment provides additional revenue authority and increases the District's equalization aid.

Open enrollment continues to create a bit of uncertainty as it pertains to budget development for 2014-15. During the current school year (2013-14), the District experienced a net outflow of 124 students. While the District's open enrollment history is anything but consistent, at this point we are budgeting for a similar net outflow of students in 2014-15.

State of Wisconsin Budget

In the second year of the State's biennial budget, the District is expected to receive additional categorical aid as well as additional general aid. The District will receive an additional \$475,050 of the State's "per pupil adjustment aid" to a total of \$950,250 in 2014-15. Similarly, the District can expect to see an increase in the general equalization aid it receives from the State of Wisconsin in 2014-15. Although a preliminary estimate will not be available until July 1, and the final amount will not be known until October 15, an increase of \$400,000 (1.4%) is estimated at this time.

Staffing Changes

In addition to 7.60 (net) new positions authorized by the Board of Education for 2014-15, the District has also received 33 requests for retirement and/or resignation from current staff members. All of these personnel moves contribute to a continuous recalculation of the District's wage and benefit costs. Financial adjustments will continue throughout the summer months as staffing decisions are finalized and new and replacement employees are hired.

Health Insurance

The Neenah Joint School District has made significant changes to its employee group health insurance program over the past several years. 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 District's health insurance program was put out to bid in November, 2013. The bid process generated some very favorable health insurance premiums for the 2014 calendar year. The bid process also led the District to create a High Deductible HMO health plan

that would be made available to all staff. The District will continue to evaluate, analyze, and review all ideas that can be used to control health care costs.

Once again, our budget estimates for 2014-15 health insurance costs include some very aggressive and favorable pricing. However, the difference in our fiscal year start date (July 1) and the health insurance plan start date (January 1) does create a challenge to make an accurate projection this far in advance. The current budget request does not require employees to pay an increased premium contribution anytime during the 2014-15 fiscal year. We anticipate that a similar number of employees (100) will utilize the health insurance buyout program. In general, we anticipate that the District's health insurance program costs will remain at current levels. The District will also continue to contribute to each employee's Health Savings Account. Total health insurance costs contained in the first draft of the 2014-15 budget amounts to \$7.6 million.

Other Expenditure/Revenue Adjustments Contained in the 2014-15 Budget

The significant dollar changes reflected in the budget are usually the result of changes in employee compensation, major maintenance, or technology spending. Following are some additional adjustments or assumptions that are included in the first draft of the 2014-15 budget:

- Net addition of 7.6 staff FTE (+ 11.0 certified, -3.9 non-certified, + .5 administrator)
- Allowance made for certified staff, non-certified staff, and admin salary adjustment in the amount of 2.0%
- Allowance made for certified staff, non-certified staff, and admin pay for performance salary adjustment in the amount of 2.0%
- Minimum salary adjustment allocation for certified staff
- Open enrollment estimates remain at 2013-14 level (in and out)
- Natural gas budget increase - reflect "normal" winter and opening of Washington School
- Reduction in State Handicapped Aid – reallocation of aidable expenditures
- Food Service Fund continues to be self-supporting; no transfer required from General Fund
- State Equalization Aid estimate to increase
- Transfer middle school athletic program costs to Fund 80
- Increase in State Categorical Aid
- Levy property tax to the maximum permitted by law
- No levy for Referendum Debt Fund (Fund 39)
- No adjustment to District contribution to WRS – remains at 7.00%
- Increase annual operating expenses associated with Washington School
- Reduction of regular and special ed transportation costs due to elementary restructuring
- Transfer Suzuki after school program to Fund 80

Technology

Consistent with the technology plan adopted by the Board of Education for 2014-15, students entering 7th, 8th, and 9th grades will receive Chromebooks to enhance their learning experience. This equipment, valued at \$670,000, will be financed through U.S. Bancorp using a four year lease. In addition, the District will replace approximately \$850,000 of iMacs and MacBooks for teachers and administrators. This purchase will be financed through a four lease with Apple Computer. Included in the 2014-15 budget is approximately \$815,000 to cover principal and interest on these leases as well as two existing leases that the District had initiated with Apple Computer during the past three years.

The District will also be purchasing other technology equipment – additional memory, wireless access points, projectors, document cameras, etc. - that will benefit students and staff throughout the District.

Major Maintenance

The 2014-15 budget continues a strong recent commitment to repair, replace and remodel sites and facilities throughout the District. As recently as the 2010-11 budget year, the District expended \$576,000 on capital projects to maintain district infrastructure. The first draft of the 2014-15 budget contains over \$1,660,000 of necessary repairs and replacements that will enhance the life of buildings and facilities in the District. Due to the scheduling complications with many of these projects, the Board of Education had earlier authorized these projects for inclusion in the 2014-15 budget. The larger projects that will be completed include:

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| • Partial Roof replacement – Tullar Elementary | \$152,000 |
| • Partial Roof replacement – Spring Road Elementary | 428,000 |
| • Running Track – Neenah High School | 400,000 |
| • Classroom remodel – Neenah High School | 160,000 |
| • Library Remodel – Lakeview | 200,000 |

No debt will be incurred to complete these projects. In fact, several of these projects may generate additional savings through energy efficiencies and/or improve safety for students, staff, and community members. A complete list of all of the major maintenance projects scheduled for completion during this year is included in the budget document.

In addition to the traditional major maintenance projects funded through the Capital Expansion Fund (Fund 41), the Board of Education authorized the use of Genral Fund balance for one time costs associated with the opening of Washington School. Among the significant infrastructure improvements to Washington will be an additional boiler (\$80,000), roof replacement (\$600,000), and parking lot reconstruction (\$100,000).

Fund Balance

The District's current General Fund balance provides the District with some financial opportunities that do not exist in other school districts. At this time, it appears that just under \$590,000 of fund balance will need to be used from the General Fund to balance the first draft of the 2014-15 budget. As previously mentioned, this fund balance will be

used exclusively for capital improvements associated with the opening of Washington School.

No other fund balance will be used to balance any particular fund.

Upcoming Significant Events pertaining to the 2014-15 Budget Development

Student Fees and other Revenues Discussion – June

Preliminary Estimate of Equalization Aid – DPI – July 1

Wisconsin Retirement System required contribution rate notice (2015) – September

Student Enrollment determined (Third Friday Count) - September

Public Hearing on proposed 2014-15 Budget - September

District's Equalized Valuation and 2014-15 final Equalization Aid determined - October

Health Insurance Premium rates (2015) – October

Federal and State Grant budgets verified -- November

Insurance Open Enrollment Period – November

Adopt 2014-15 District Budget and certify Property Tax Levy – November

Summary

The District's 2014-15 budget development process has been under way for many months. As per usual, the Board of Education and District staff have reviewed and analyzed programs and staffing levels to ensure that the District's limited resources are being used in an efficient and effective manner. District leadership knows what level of financial commitment is needed to operate a successful 2014-15 school year. Although we have prepared this budget draft using reasonable assumptions and estimates, it must be stressed that there is a significant amount of information that is not known at this time, including:

- Pupil Enrollment
- Revenue Limit formula for 2014-15
- General Equalization Aid
- Health Insurance rates for 2015

As presented, the first draft of the 2014-15 budget produces a local property tax levy increase of 0.63%. About the only thing we can say with some degree of certainty is that that this number will change before the final levy is certified in November, 2014.

If you have any questions regarding the first draft of the District's 2014-15 budget, please contact Kathy Davis (751-6800 X227).