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SECURITIES

Referendum Tips/Tricks and Preparing for a Rating Call

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Agenda

- ▶ Types of Referendums
 - ▶ Capital
 - ▶ Operating – Non-Recurring
 - ▶ Operating – Recurring
- ▶ Best Practices for Operating Referendums
- ▶ Tips for Preparing for a Rating Call
- ▶ Questions



Types of Referendum

- ▶ Capital Referendum
 - ▶ Request approval to “borrow” up to a specified amount for the purpose of construction, remodeling, etc.
- ▶ Operating Referendum – Non-Recurring
 - ▶ Request approval to receive additional revenue for the purpose of general school operations, specific purpose(s), etc. for a specific period of time
- ▶ Operating Referendum – Recurring
 - ▶ Request approval to receive additional revenue for the purpose of general school operations, specific purpose(s), etc. forever (base building)



Operating Referendum – Best Practices

- ▶ Step 1 - There is never enough time
- ▶ Step 2 – Appropriate Projections
 - ▶ Always make sure you have a forecast model built you are comfortable with
 - ▶ Work through appropriate assumptions based upon
 - ▶ Trends in your area
 - ▶ Local variables
 - ▶ Utilize the model to project different options ahead of time
 - ▶ Avoid not having enough resources
 - ▶ Project property tax impacts
 - ▶ Create credibility to the process



Operating Referendum – Best Practices

- ▶ Step 3 – Evaluate Options
 - ▶ Non-Recurring Referendum
 - ▶ Receive additional revenue for a defined period of time
 - ▶ Usually 3 to 5 years
 - ▶ Can be flat dollar amount each year or escalating
 - ▶ Following expiration of the authority, you must ask the community for approval for new authority
 - ▶ The new authority may replace the expired referendum, increase, or decrease the authority



Operating Referendum – Best Practices

▶ Step 3 – Evaluate Options

▶ Recurring Referendum

- ▶ Receive additional revenue for a permanent period of time
 - ▶ Becomes part of your base revenue
- ▶ Question can be posed in two ways
 - ▶ Phased in for example: YR1 \$3M, YR2 \$3M, YR3 \$3M for a total of \$9M recurring
 - ▶ Single question: YR1 \$9M recurring
- ▶ Does not require the District to renew in future years
- ▶ Be careful about losing authority of your “under-levy” due to non-recurring exemptions



Requirements for Referendums

- ▶ Time Requirements (work with legal counsel!)
 - ▶ Referendum may not be held earlier than 70 days after the adoption of the resolution s. 67.05(6a)(a)2a, Wis. Stats.
 - ▶ District must notify the DPI of the scheduled day of the referendum within 10 days of resolution adoption
 - ▶ Notify DPI of final canvassed results within 10 days of holding a referendum



Operating Referendum – Things to Know

- ▶ Under current law, there is a two-question limit per calendar for each School District that would result in a referendum/ballot question
 - ▶ This includes any combination of capital, recurring, and non-recurring questions
 - ▶ These questions may only occur on regularly scheduled spring or fall election days with the exception of a District that has experienced a natural disaster
- ▶ 2024 Dates
 - ▶ Spring Primary – February 20, 2024
 - ▶ Spring Election – April 2, 2023
 - ▶ Fall Election – November 12, 2024



Operating Referendum – Things to Know

- ▶ Impact on School Districts eligible for the Low Revenue Ceiling
 - ▶ If a district holds a failed operating referendum on or after the 2018-19 school year
 - ▶ For three years following the year in which the referendum failed, the low revenue ceiling will be the amount from the year the referendum failed
 - ▶ Currently low revenue ceiling is \$10,000
 - ▶ For example, if a district fails a referendum in Spring of 2023 and the legislature increases the low revenue ceiling to \$10,200 for the next biennium, they would be frozen for 3 years at the \$10,000 level



Low Revenue Ceiling Proposals

	Actuals (or budgeted)			DPI Proposal		Governor Proposal	
	2020-21	2021-22	2022-23	2023-24	2024-25	2023-24	2024-25
Revenue Limit Per Pupil	\$179	\$0	\$0	\$350	\$650	\$350	\$650
Low Revenue Ceiling	\$9,700	\$10,000	\$10,000	\$10,350	\$11,000	\$10,450	\$11,200



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Tips for a Rating Call

Know and Prepare For Your Story



Things to keep in mind for a rating call

- ▶ The rating call is your time to highlight your community and district. You know more than the rating agency
- ▶ Remember to always stick to the question that you are being asked



Question themes from the rating agencies

1. Purpose of the Issue
2. Local Economy and Tax Base
3. Past, Present, and Future Budget Performance
4. Enrollment Trends
5. Long Term Financial Planning
6. Long Term Capital Planning
7. Policies
 1. Investment Management
 2. Debt Management
 3. Reserve / Fund Balance
8. Cyber Security



Items Outside Your Control

- Purpose of the Issue
 - Set throughout the planning process, simply explain
- Local Economy and Tax Base
 - Do your research because the rating agency will
- Past and Present Budget Performance
 - Look at your previous 3-5 year trends to understand what caused shortfalls/additions to fund balance
 - Get a sense of any issues within the current fiscal year



Items Inside Your Control

- The remaining items we will discuss fall within the boundaries of things you can plan for ahead of time
- As we go through these items, please think about any strategies you may implement 24-36 months ahead of a potential borrowing



Enrollment Trends

- Enrollment is a large component of fiscal stability for K-12 School Districts in Wisconsin
- What is your enrollment projection methodology
 - Internal based upon history, birth rates, etc.
 - Working with an external entity
- Deciding what is the best fit for your School District



Long Term Financial Planning

- Do you utilize a forecasting tool either developed external or internal to support future fiscal planning?
 - Is this provided to your Board of Education
- Think about a 3-5 year projection method
- Be prepared to share with the rating agency



Long Term Capital Planning

- Always think about what other maintenance needs are not addressed with the capital borrowing
- Do you have a Fund 46?
 - Required 10 year capital plan
- If you don't have a Fund 46, do you have a capital maintenance plan?
 - Internal vs. external approach



Policies

- Core areas of oversight that are important to rating agencies
- Make sure you understand the details within your policy to affirm compliance regularly
- If you don't have these policies, should you?



Investment Management Policy

- Policy outlining allowable investments approved by the Board of Education
- Do you provide regular reporting to the Board of Education related to investments?
 - Transparency
- How regularly do you evaluate compliance with your policy?



Debt Management Policy

- Policy most regularly not in place at many School Districts
- Outline the purpose of the policy
 - Financial Stability, public trust, minimize cost to taxpayers
- Types of authorized debt under law
- Stipulate 10% of equalized value maximum



Reserve / Fund Balance Policy

- Policy that may stipulate the minimum amount and purpose of fund balance
 - If an amount is stated, make sure you meet that amount
 - If purposes are stated, make sure you align
- Trends are very important in this area to the rating agency
- Can you improve upon this provided lead time?



Cyber Security

- What steps are in place to protect your organization from cyberattacks?
 - Phishing testing, firewalls, etc.
- Do you review any outside vendors procedures annually?
- Provide examples of things you have put into place to detect, respond, recover from an attack.



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Questions?



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