

Determining Your District's Financial Health

WASBO Fall Conference

October 5 2:10pm-3:00pm

Baird Public Finance

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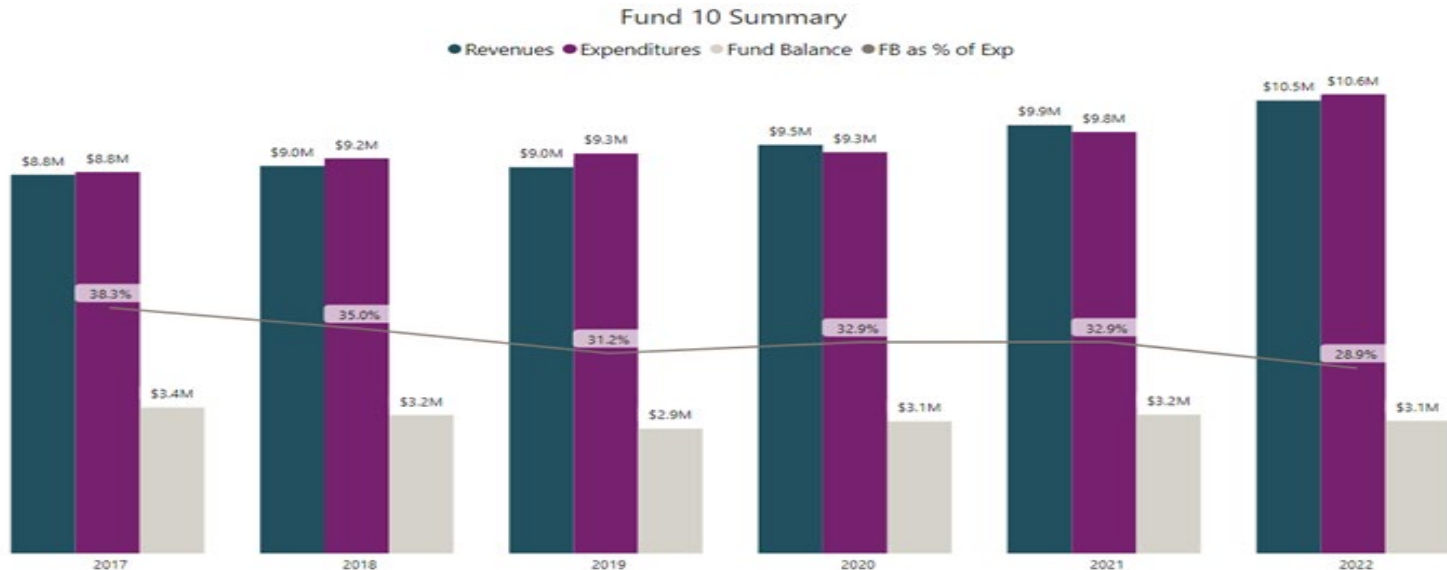
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Discover the *Baird Difference*

Historical Budget Trend

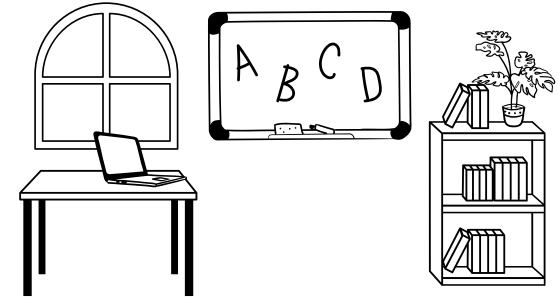
Historical Budget Trends

- ✓ Has the District been experiencing budget surpluses or deficits?
- ✓ What are the major factors for this variance?
- ✓ What decisions have been made that caused these variances?
- ✓ Were there one-time events that contributed to these variances?
- ✓ What variable(s) might change to improve budget results?



2023-25 Biennial Budget

- Revenue Limits:
 - \$325 per pupil increase in FY24 and FY25 (400 years?)
 - Low Revenue Ceiling increased to \$11,000 for FY24
- Equalization Aid/Tax Impact:
 - Funding increases of 2.6% in FY24 and 4.2% in FY25
 - Elimination of High Poverty Aid
 - School Levy Tax Credit increases of 23.4% in FY24 and 5.9% in FY25
- Special Education Aid reimbursement increased to 33%
- Funding amounts
 - Open Enrollment: Increases of \$394 in FY24 and \$344 in FY25
 - Independent Charter Schools: Increases of \$2,121 in FY24 and \$344 in FY25
 - Choice (K-8): Increases of \$1,494 in FY24 and \$344 in FY25
 - Choice (9-12): Increases of \$3,342 in FY24 and \$344 in FY25
 - Special Needs Voucher: Increases of \$1,989 in FY24 and \$344 in FY25



Does the new state budget meet your budget needs?

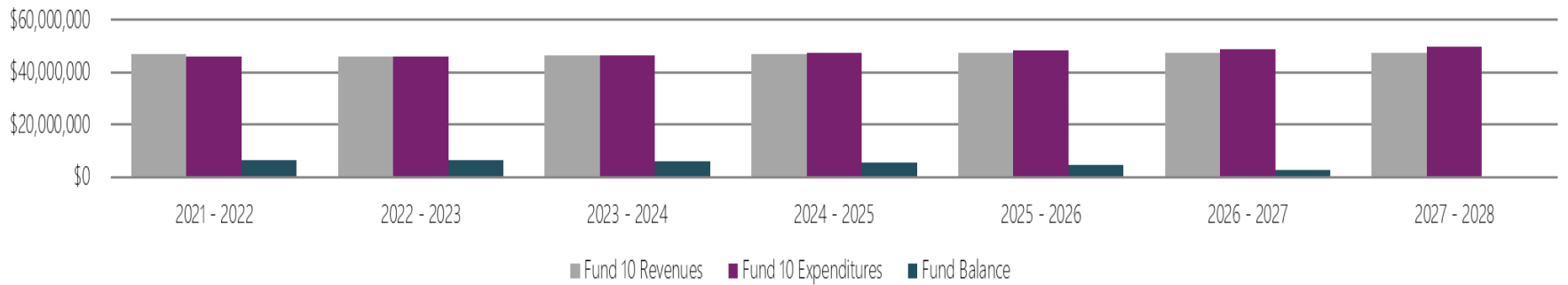
Budget Forecasting

Identify
important
budget
variables and
project future
needs

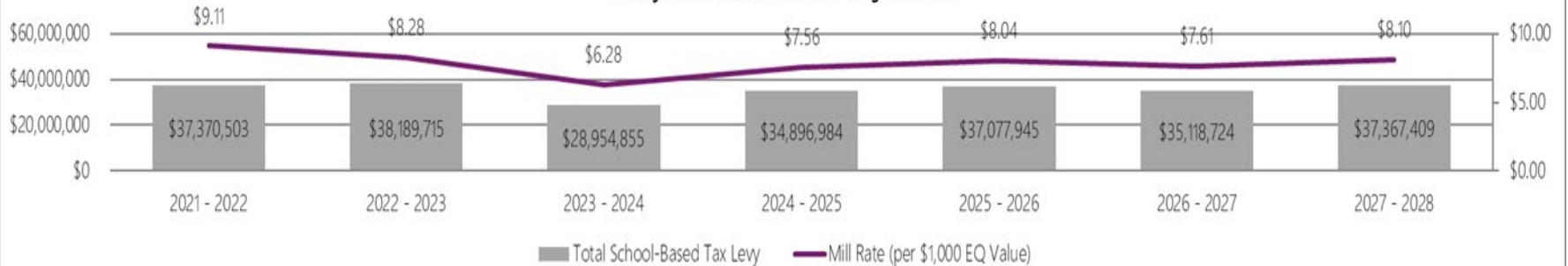
- Non-recurring Revenue Sources
 - Non-recurring operational referendum
 - ESSER Funds
- Enrollment
- Staffing Cost (Including ability to hire staff)
- Instructional Needs
- Maintenance Needs

What Does the Future Look Like?

Revenue and Expenditure Projection



Levy and Mill Rate Projection



Fund Balance

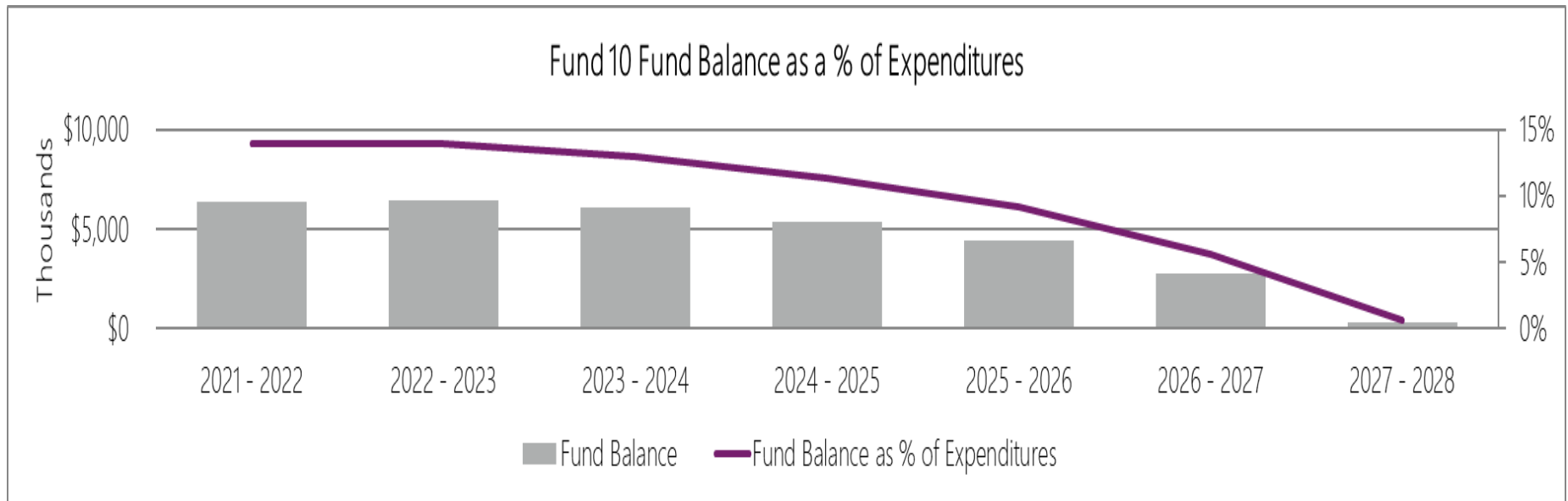
Fund Balance

Fund 10 General Fund - Balance Sheet Accounts

Account	Description	Beginning of Year	End of Year
700000 Assets			
10B-711000	Cash	3,327,873.59	5,570,731.70
10B-712000	Investments	2,333,574.47	1,379,292.39
10B-713100	Taxes Receivable	2,573,979.64	2,478,423.03
10B-713200	Accounts Receivable	95,675.77	10,758.29
10B-714000	Due From Other Funds	409,066.73	384,886.41
10B-715000	Due From Other Governments	1,175,918.68	612,460.90
10B-717000	Prepaid Expenses	82,704.86	96,185.15
	Total Assets (700000)	9,998,793.74	10,532,737.87
800000 Liabilities			
10B-811200	Accounts Payable	200,717.39	191,576.20
10B-811600	Payroll Withholdings and Benefits Payable	895,838.37	978,182.30
10B-811800	Accrued Payroll Payable	1,760,037.64	1,908,738.42
10B-812000	Due to Other Funds	200,000.00	1,495,383.69
10B-813000	Due to Other Governments	0.00	6,061.45
10B-815900	Other Deposits Payable	755.00	1,319.83
10B-816300	Deferred Federal Aid Revenue	0.00	3,390.90
	Total Liabilities (800000)	3,057,348.40	4,584,652.79
900000 Fund Equity			
10B-935100	Nonspendable Fund Balance	82,704.86	96,185.15
10B-937900	Committed Fund Balance	495,000.00	9,210.00
10B-938900	Assigned Fund Balance	46,691.47	46,691.47
10B-939900	Unassigned Fund Balance	6,317,049.01	5,795,998.46
	Total Fund Equity (900000)	6,941,445.34	5,948,085.08

What is your fund balance level?

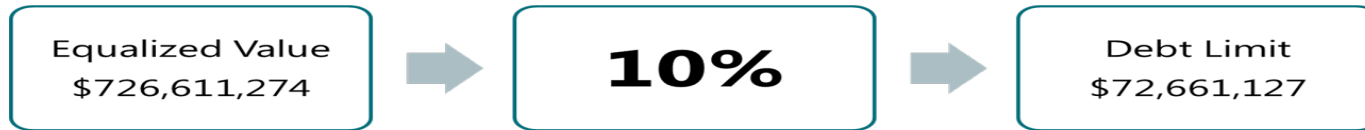
- Fund Balance Policy
- Cash Flow Needs
- Credit Rating



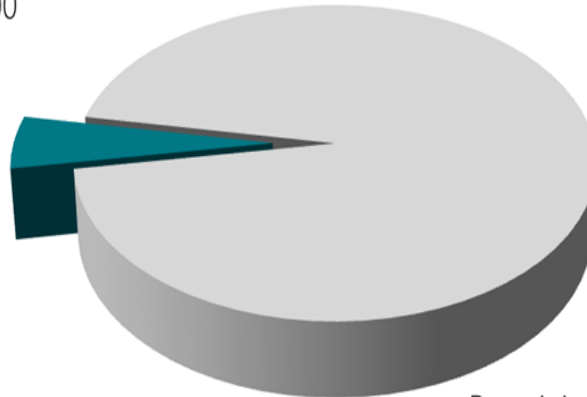
Debt Level

Outstanding Debt Issue (Bonds) Level

- Not a big negative unless District against the debt cap
- Overlapping debt



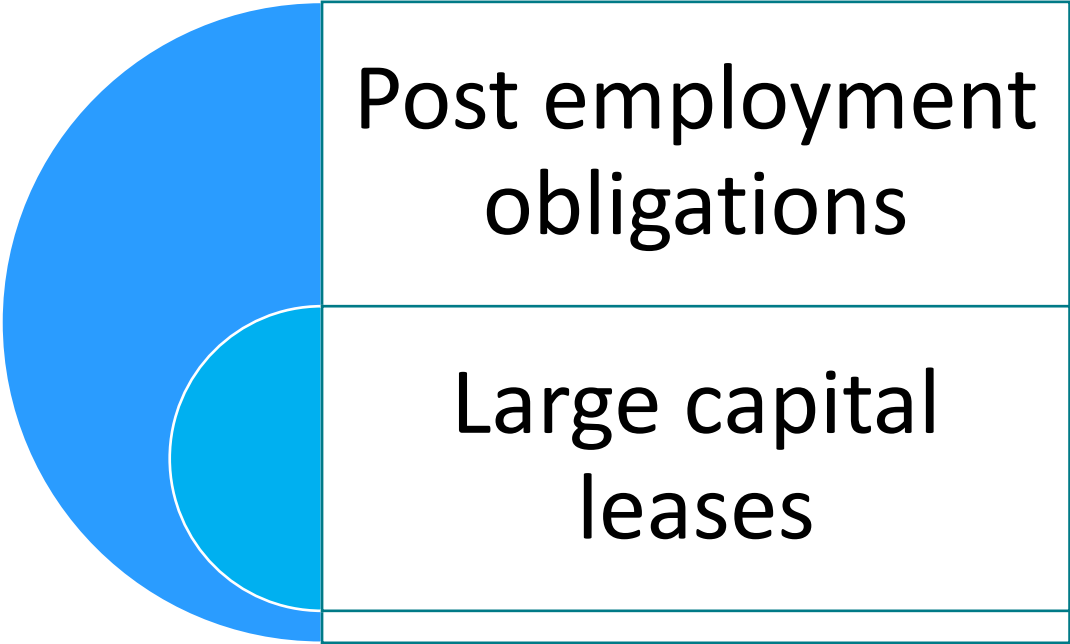
Outstanding Debt as of 12/31/18:
\$4,100,000



Remaining Debt Capacity:
\$68,561,127

Outstanding Capital Needs

Other Obligations



Referendum



Is the District dependent on operation referendum to balance budget?



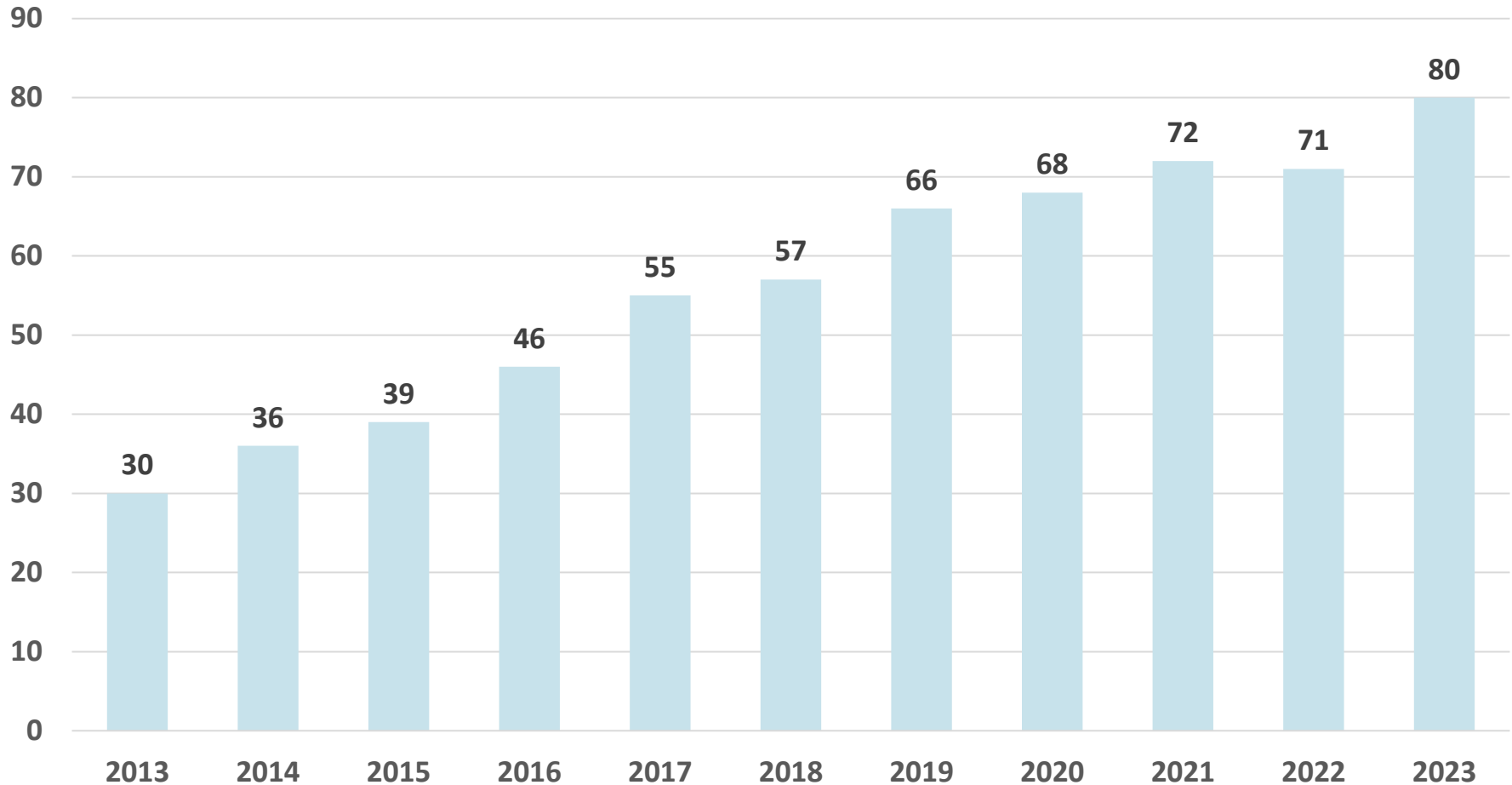
Does the District have outstanding referendum approved debt?



Have the voters supported referendum efforts?

Dependency on Operational Referendum

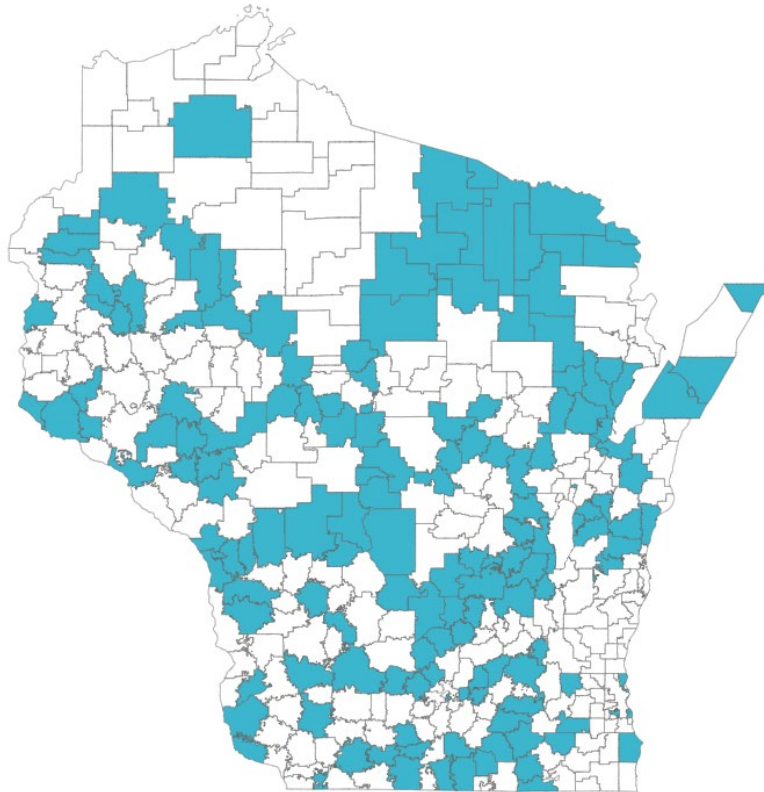
Districts that have at least 10% of their revenue limit supplemented by non-recurring operating referendum



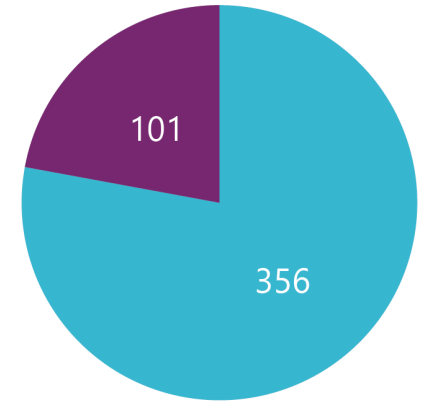
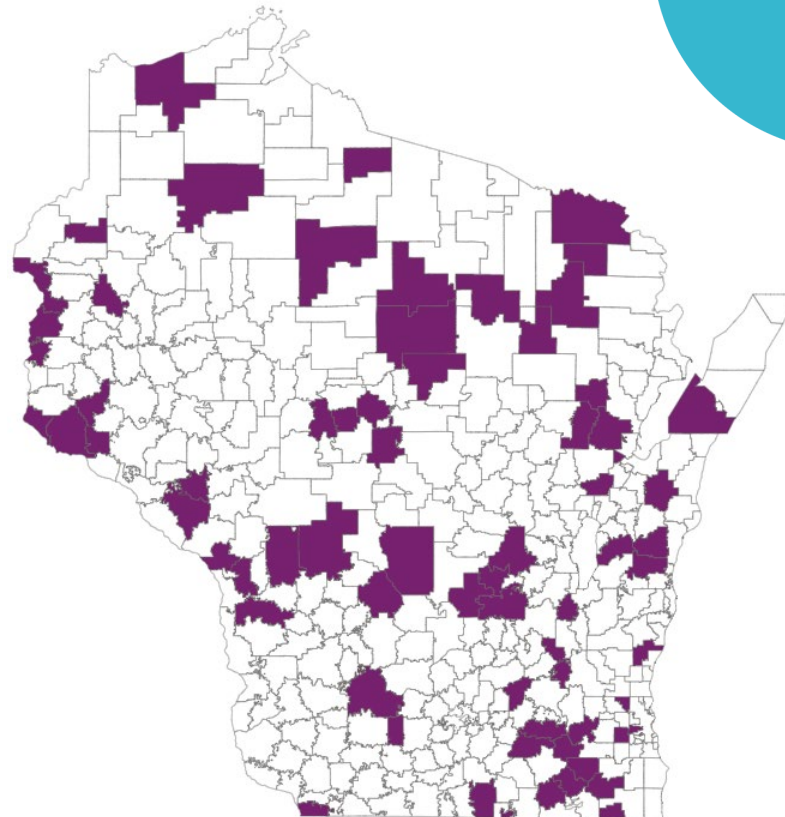
Source: Department of Public Instruction
*Numbers based on 2022-23 base revenue limit from the 2022-23 Revenue Limit Worksheet

10 Year History – Non-Recurring Referenda

PASSED

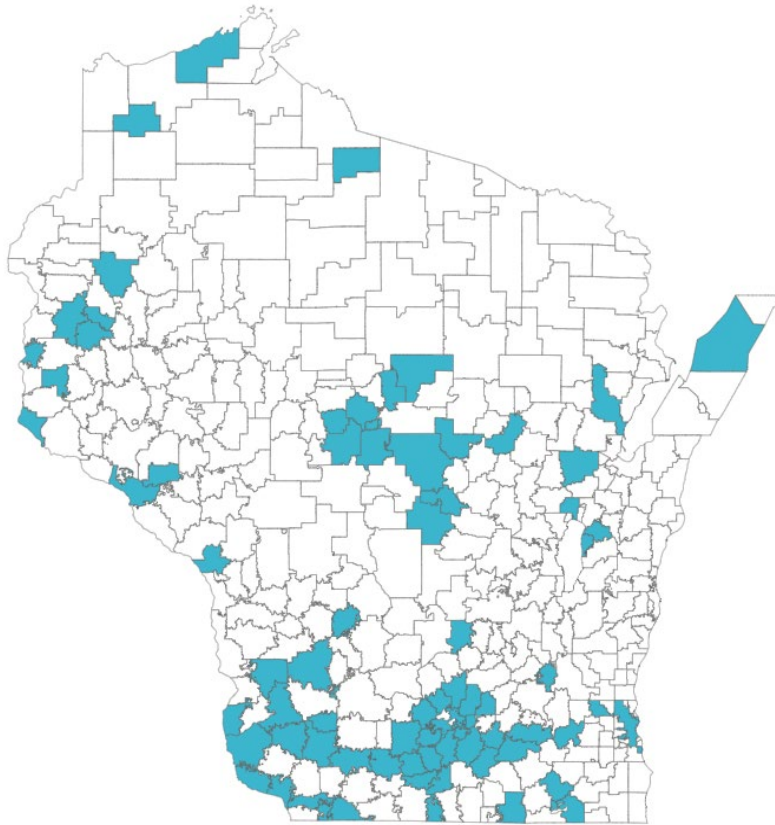


FAILED

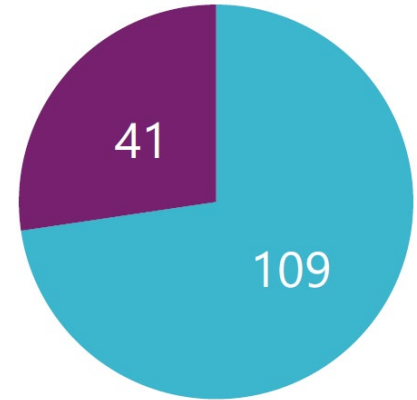
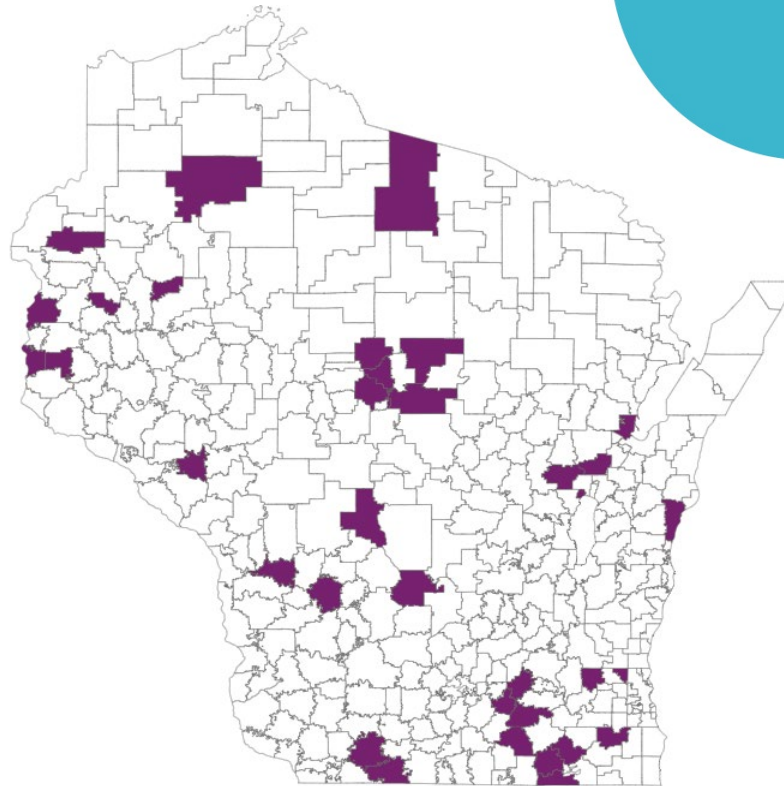


10 Year History – Recurring Referenda

PASSED



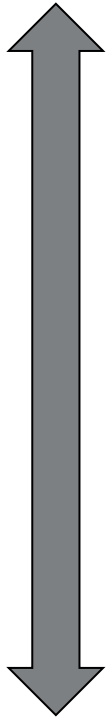
FAILED



Credit Rating

Bond Rating Scales

Strongest



Weakest

Moody's Long-term	S&P Long-term	Fitch Long-term	Rating Description
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	

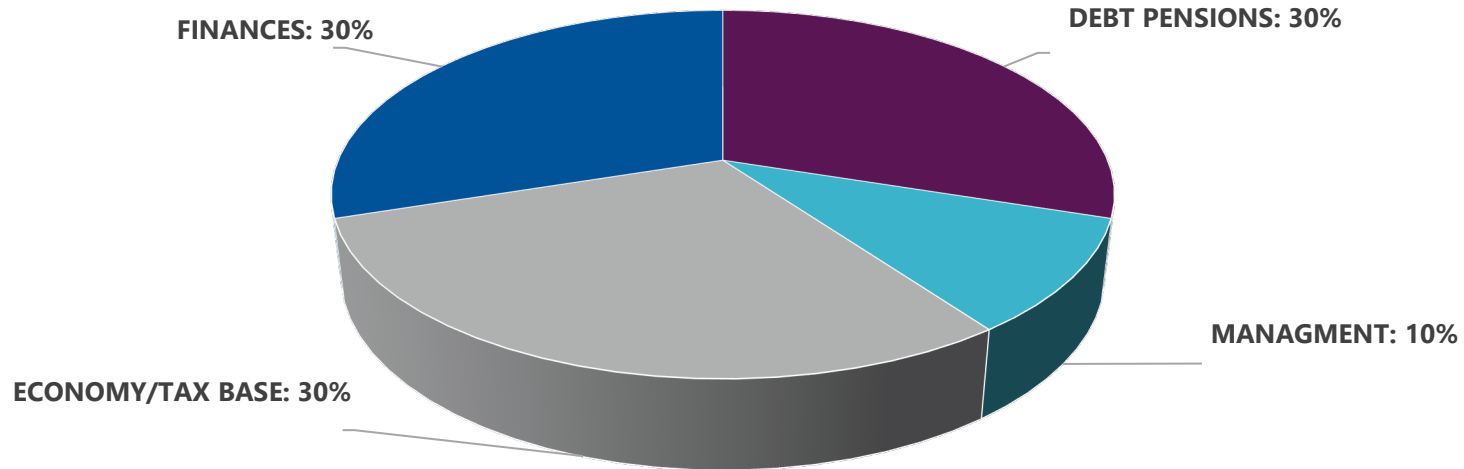
What positives does your credit rating identify?

What challenges are identified?

How controllable are the positives and negatives?

(Insert samples from actual rating reports)

Bond Rating Factors



Debt/Pensions

- Debt as a % of tax base
- Debt as a % of revenue
- Pension liability as a % of full value
 - Trend over time
- Pension liability as a % of revenues
 - Trend over time
- Security of debt
- Pension risk
- Missed debt payments
- Other factors

Finances

- Fund balance as a % of operating revenue
 - Trend over time
- Cash balance as a % of revenues
 - Trend over time
- Liability risk
- Volatile revenues
- Other factors

Economy/Tax Base

- Full value
- Full value per capita
- Median family income
- Unemployment rate
- Poverty levels
- Institutional presence
- Economic concentration
 - Largest taxpayers
 - Largest employers
- Other factors

Management

- Institutional framework
- Legal framework
- Operating history
- State oversight
- Management and planning
- Other factors

Strengths & Weaknesses – Existing Rating Reports

Credit Strengths

- » Healthy fund balance, despite planned draw downs
- » Stable enrollment

Credit Challenges

- » Recent growth in debt burden, with additional borrowing in fiscal 2018
- » Slow amortization of debt

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Credit Strengths

- » Healthy fund balance, despite planned draw downs
- » Stable enrollment

Credit Challenges

- » Recent growth in debt burden, with additional borrowing in fiscal 2018
- » Slow amortization of debt

Rating Outlook

Outlooks are typically not assigned to local governments with this amount of debt.

Factors that Could Lead to an Upgrade

- » Strengthening and diversification of tax base
- » Steady growth in fund balance and liquidity
- » Moderation of the district's elevated debt burden

Factors that Could Lead to a Downgrade

- » Weakening of the district's financial position
- » Material growth in the district's debt or pension burden
- » Significant declines in the district's tax base and/or demographic profile

Summary:

The rating reflects our view of the district's:

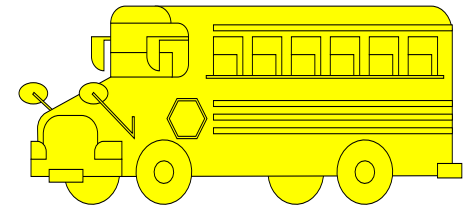
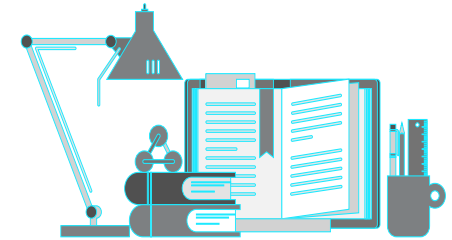
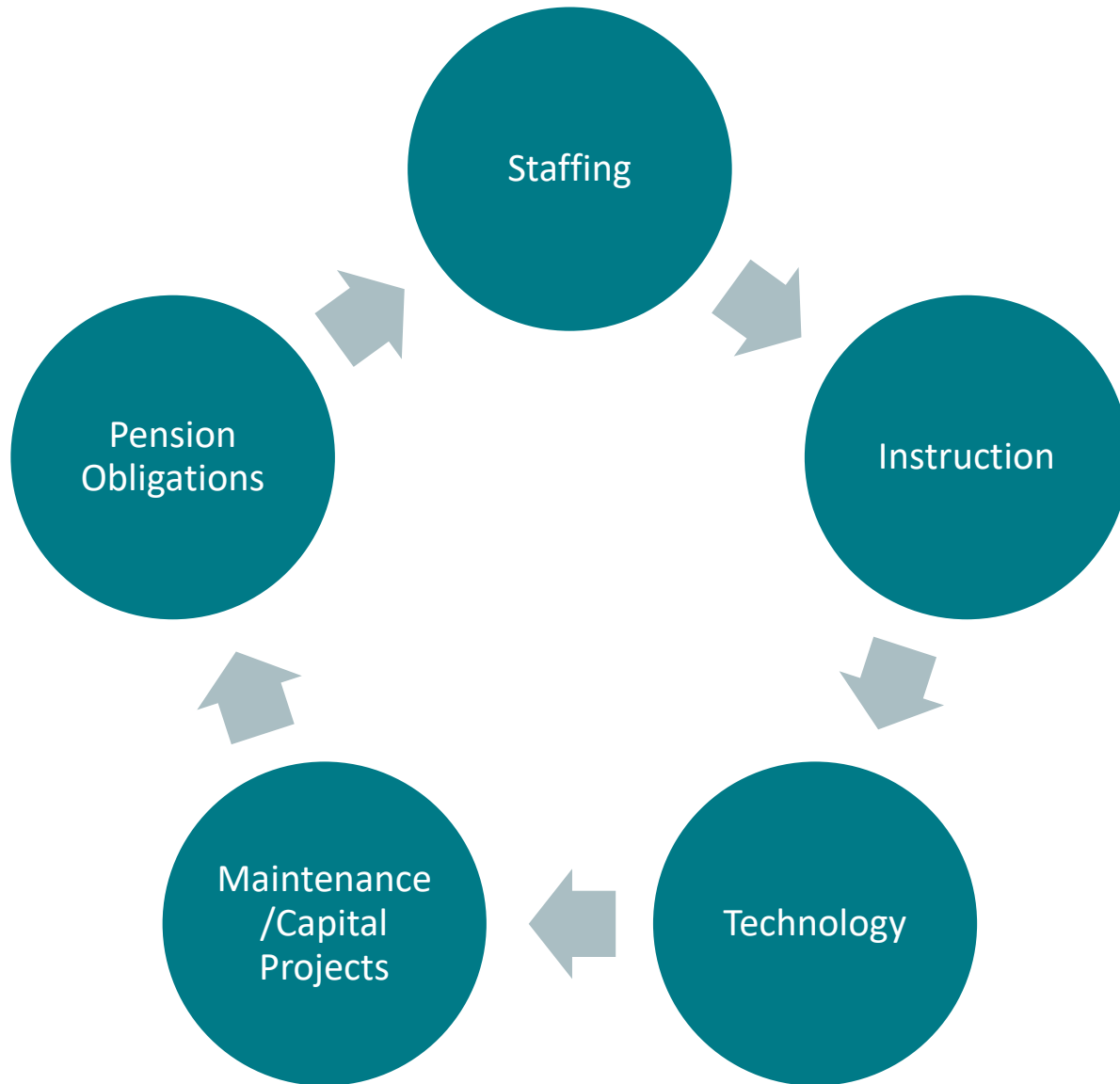
- Participation in the broad and diverse Milwaukee metropolitan statistical area (MSA);
- Strong incomes and very strong per capita market value;
- Very strong general fund reserves, supported by consecutive general fund surpluses; and
- Low overall net debt burden.

10 taxpayers accounting for just 4.1% of equalized value. Estimated full market value increased 2.5% in 2014 to a very strong \$8.9 billion, or \$95.82 per capita. Management reported recovery in the local housing market and commercial expansion that will likely lead to continued tax base growth.

A three-year moving enrollment average determines Wisconsin school district per-pupil revenue. While annual student count fluctuations do not have a material effect on finances, continuing positive or negative enrollment could lead to an increase or decrease, respectively, in revenue. Waukesha School District has had a gradual enrollment decline, with fiscal 2015 enrollment of 13,459, down 3.5% from fiscal 2010. Projections show a slight decline of 1.6% for fiscal 2016 and then stabilization. Management attributed declining enrollment to demographic trends. The district is a net gainer from open enrollment.

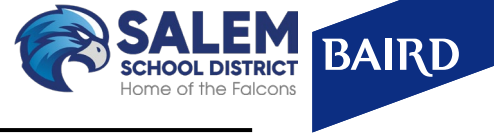
Ability to Meet the Needs of the District

Ability to Meet the Needs of the District



Questions?

Important Disclosures



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