



WAUNAKEE
COMMUNITY SCHOOL DISTRICT

Long-Term Financial Planning

In Partnership with PMA Financial Network, LLC



PMATM



Agenda

Introductions (Steve Summers)

WCSD Objectives (Randy Guttenberg)

- Facilities
- Student Services
- Educational Programs

Financial Strategies (Steve Summers & Allie Dye)

- Transfer of Service
- Aid for School Mental Health Programs
- Federal Grants
- High Cost Special Education Aid
- Federal Energy Efficiency Incentives
- Operational/Capital Referendums/Property Tax Levy Credit

Role of a Financial Advisor (Erik Kass)

- Levy Management Strategies
- Debt Service Defeasance
- Debt Service Refinancing
- Debt Management
- Issuance of Debt
- Bond Proceeds Management

Conclusion/Q&A



Randy Guttenberg
Superintendent
Waunakee Community
School District



Allie Dye
Director of Business
Services
Waunakee Community
School District



Steve Summers
Executive Director of
Operations
Waunakee Community
School District



Erik Kass
Director, Public Finance
PMA

WCSD Objectives - Facilities

November 2010 - New school referendum failed

2011-2013 - Development of long-range facility plan

November 2014 - Approval of new Intermediate School

November 2022 - Approval of new Heritage Elementary and Middle School

November 2026 - Creation of High School campus

Mid 2030's - 4th elementary school and building expansions

Community Growth & Projections Report

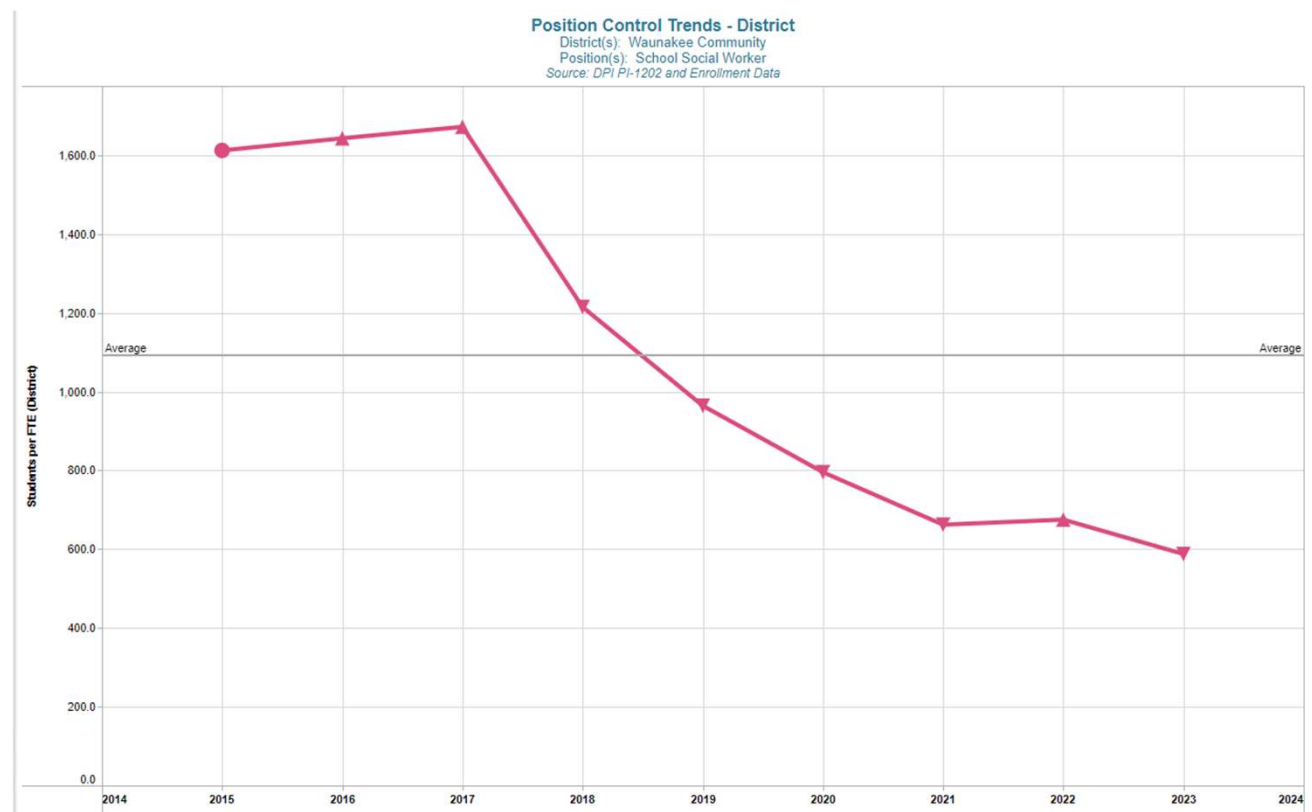


February 6, 2024

WCSD Objectives - Student Services

- Investment in School Social Worker staffing

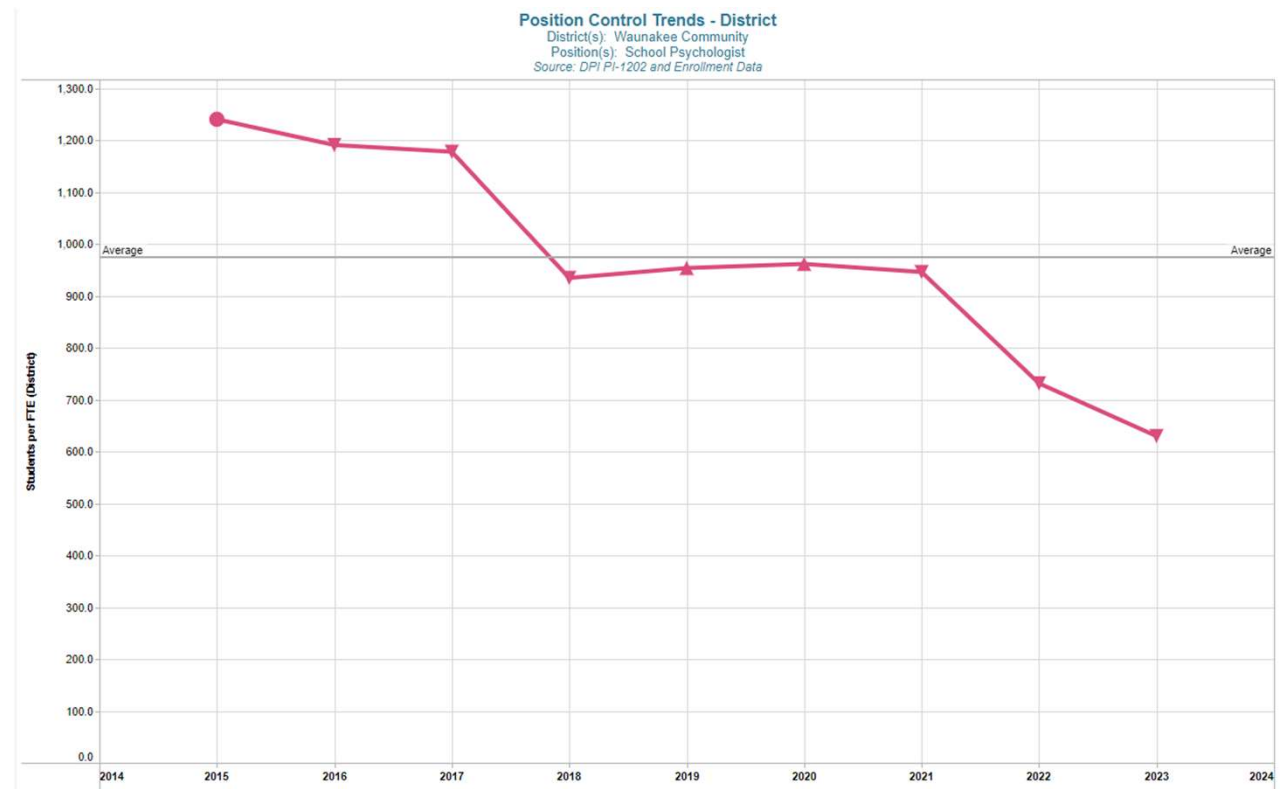
Graph shows social worker FTE to student ratio since 2014



WCSD Objectives - Student Services

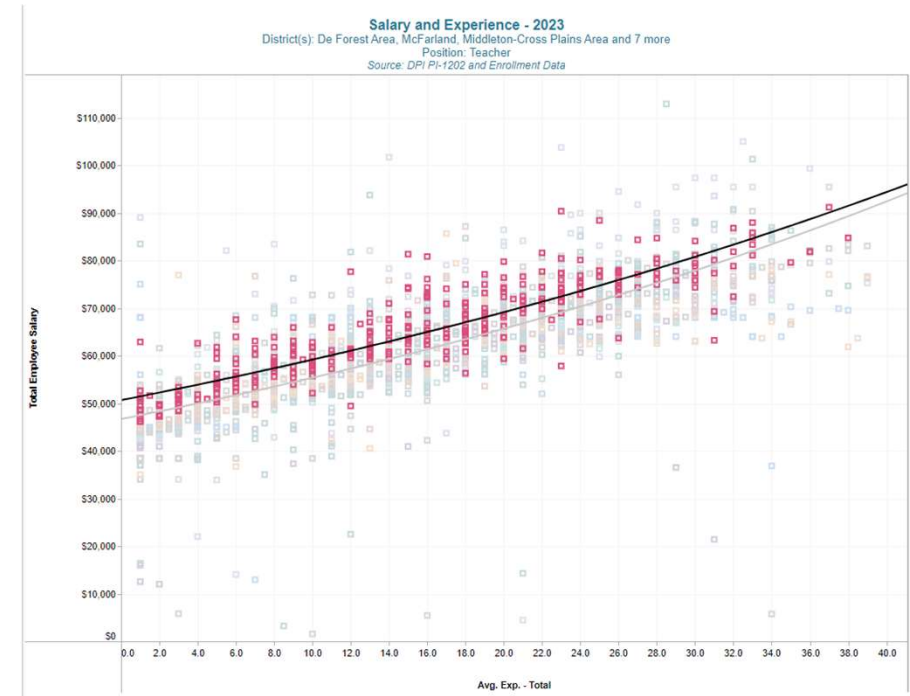
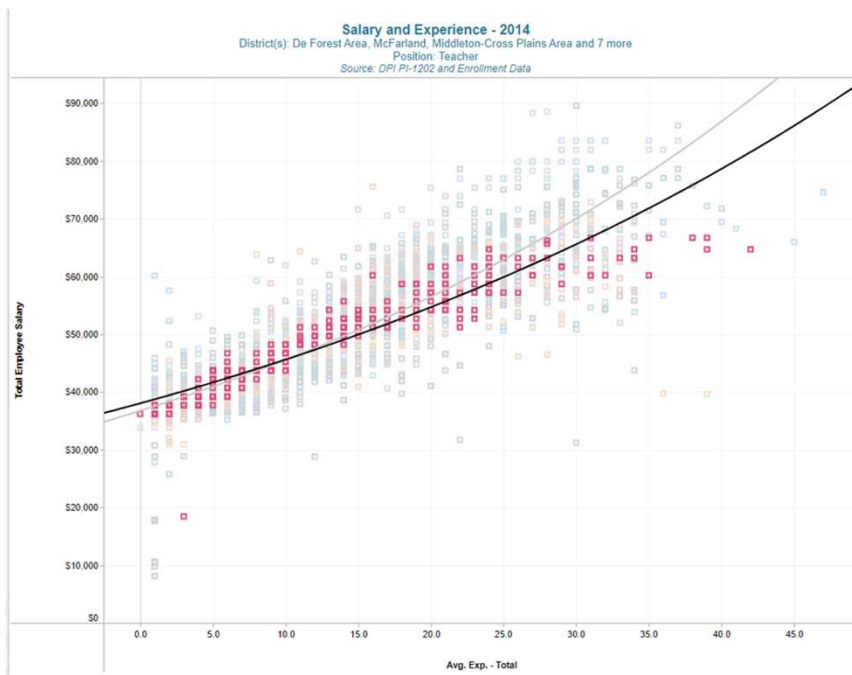
- Investment in School Psychologist staffing

Graph shows school psychologist FTE to student ratio since 2014



WCSD Objectives - Educational Programs

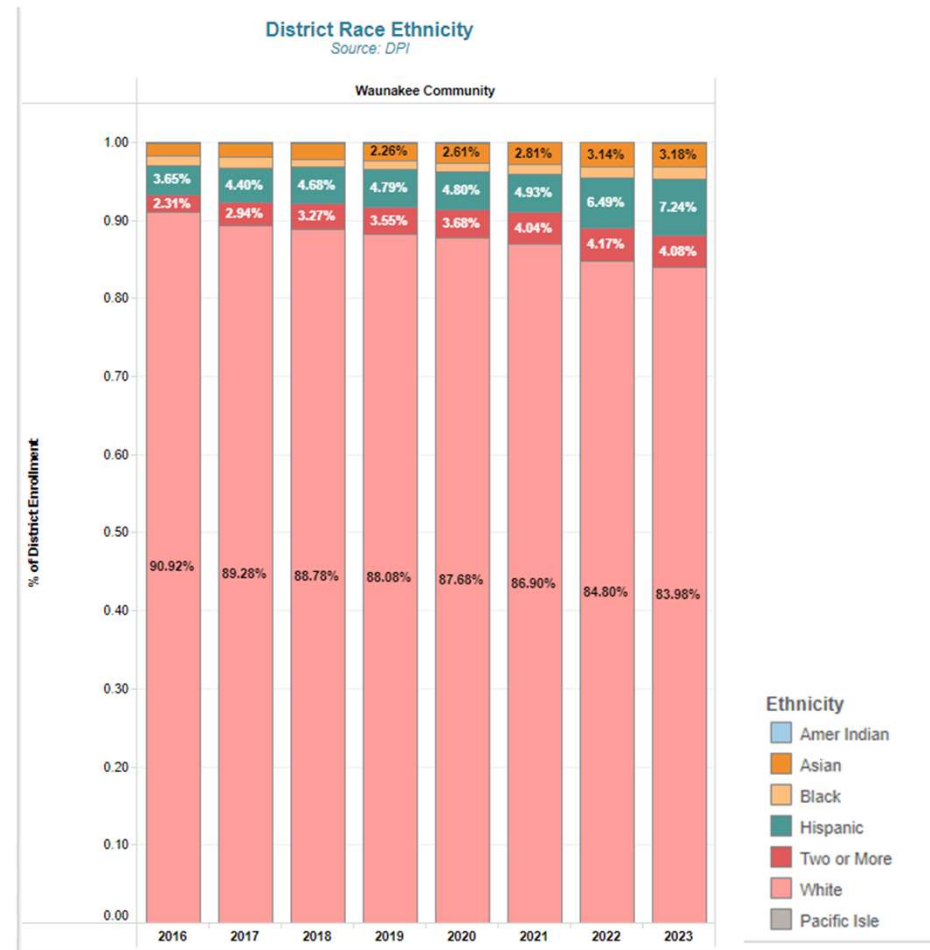
- Attracting and retaining high quality staff



- Dane County comparable districts, teaching staff
- Waunakee teachers shown in pink
- Light grey line = Dane county average
- Black line = WCSD average

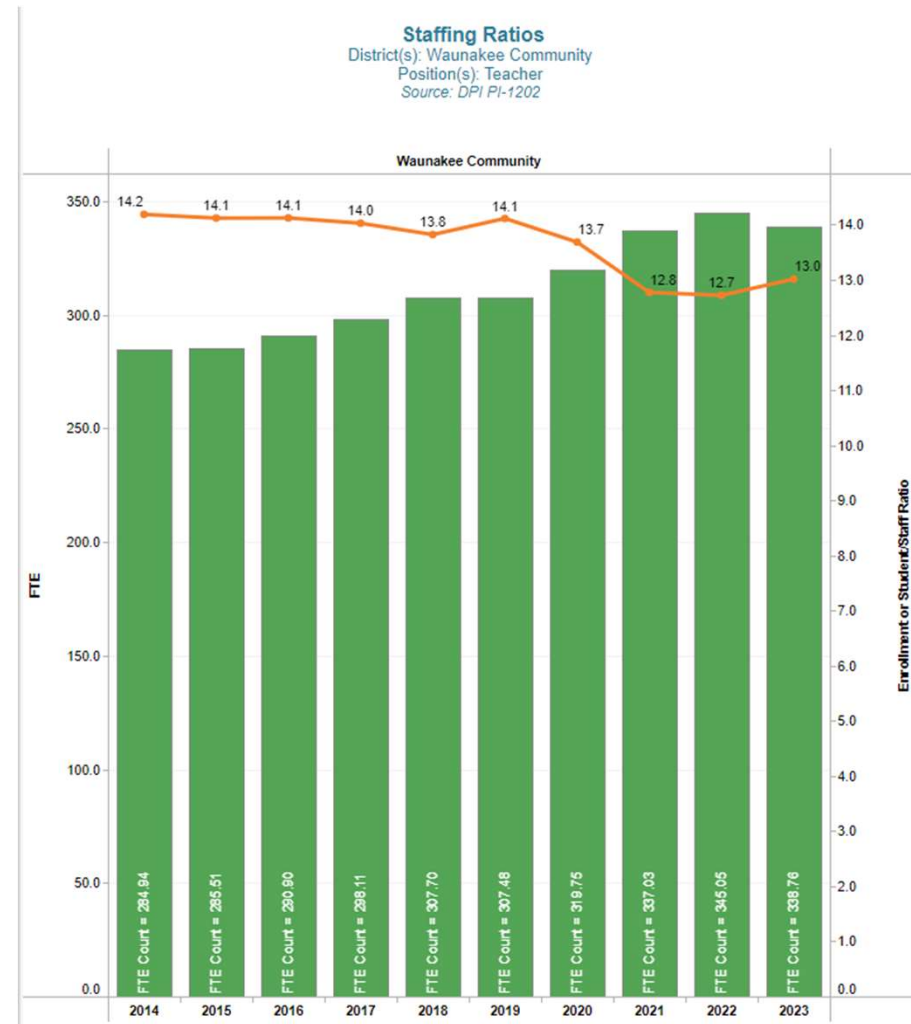
WCSD Objectives - Educational Programs

- Expansion of English Language Learner Program



WCSD Objectives - Educational Programs

- Focus on lowering class size
- Investment in classroom teachers to reduce the class size ratios across the district



Financial Strategies - Transfer of Service

- 157 school districts utilized TOS in 23-24

	SPED Eligible Costs	EL Eligible Costs
2023-24	\$344,840	\$327,078
2022-23*	\$0	\$0
2021-22	\$311,118	\$132,099
2020-21	\$93,735	\$0
2019-20	\$253,172	\$0

*2022-23, no TOS submitted for tax levy impact strategies related to November 2022 referendum

Financial Strategies - Aid for School Mental Health Programs

- 93 school districts received funding in 22-23

2022-23	\$169,849
2021-22	\$117,922
2020-21	\$81,578
2019-20	\$82,689
2019-20	\$54,362

Financial Strategies - Federal Grants

Wisconsin Act 221 does not preclude an LEA from claiming the percentage of salary and benefits that exceeds state special education categorical aid reimbursement guidelines from other funding sources such as federal grants. For example, an LEA may claim 84% of a school psychologist's time against state special education categorical aid and the remaining 16% of time against a federal grant, assuming the LEA does not violate federal reimbursement guidelines in such areas as expenditure eligibility, time and effort records, maintenance of effort, and supplanting.



SOCIAL WORKERS - SCHOOL-BASED: Salary and benefits of staff employed by an LEA, CESA or CCDEB as well as private vendor contracted staff.

Under state special education categorical aid, social worker FTE eligibility for aid is capped at 59% per [Act 221](#). This state rule does not apply to IDEA. The amount of salary and benefits for staff charged to IDEA grants must be based on time and effort records, and may exceed the state aid cap.



WORKER'S COMPENSATION: Costs of employer expenses.

Employer expenses for worker's compensation granted as benefits under established written policies are allowable. Worker's compensation benefits must be allocated to the grant in a manner consistent with the pattern of benefits for all LEA employees. (2 CFR §200.431(c))

<https://docs.google.com/document/d/1J8oWGjn0jfwXYInYbSenOWSgpJjj60TBp7bHwX8Ask/edit#heading=h.f2sucvbb9mjx>

https://docs.google.com/document/d/1QP4laGJM7sP_1HSnoGBIPCmQixurP20LT41Y5eYgFiw/edit

Financial Strategies - High Cost Special Education Aid

- New for WCSD in 2023-24
- 217 districts applied in 2023 for 21-22 expenditures

WISE ID	Student Name	Student Costs			Specified Services Costs			Total Student Cost	Student Deductible Revenues						Aid Eligibility	
		Aid Eligible	Other	Grant Funded	Aid Eligible	Other	Grant Funded	Total	Spec. Ed. Aid	GrantFu...	Medicaid SBS	Open Enrollm...	Total Revenues	Deducti... >\$30,000	Eligible Costs	90% of Eligible
		\$26,370.78	\$0.00	\$80,259.00	\$2,526.41	\$48.47	\$313.54	\$109,518.20	\$9,102.61	\$80,572.54	\$0.00	\$0.00	\$89,675.16	\$59,675.16	\$19,843.05	\$17,858.74
		\$61,777.12	\$0.00	\$0.00	\$2,526.41	\$48.47	\$313.54	\$64,665.54	\$20,255.61	\$313.54	\$0.00	\$0.00	\$20,569.15	\$0.00	\$34,665.54	\$31,198.99
		\$79,353.43	\$0.00	\$0.00	\$2,526.41	\$48.47	\$313.54	\$82,241.85	\$25,792.15	\$313.54	\$9,018.16	\$0.00	\$35,123.85	\$5,123.85	\$47,118.00	\$42,406.20
		\$38,723.40	\$0.00	\$0.00	\$2,526.41	\$48.47	\$313.54	\$41,611.82	\$12,993.69	\$313.54	\$0.00	\$0.00	\$13,307.23	\$0.00	\$11,611.82	\$10,450.64
		\$38,723.40	\$0.00	\$0.00	\$2,526.41	\$48.47	\$313.54	\$41,611.82	\$12,993.69	\$313.54	\$111.16	\$0.00	\$13,418.39	\$0.00	\$11,611.82	\$10,450.64
		\$38,723.40	\$0.00	\$0.00	\$2,526.41	\$48.47	\$313.54	\$41,611.82	\$12,993.69	\$313.54	\$0.00	\$0.00	\$13,307.23	\$0.00	\$11,611.82	\$10,450.64

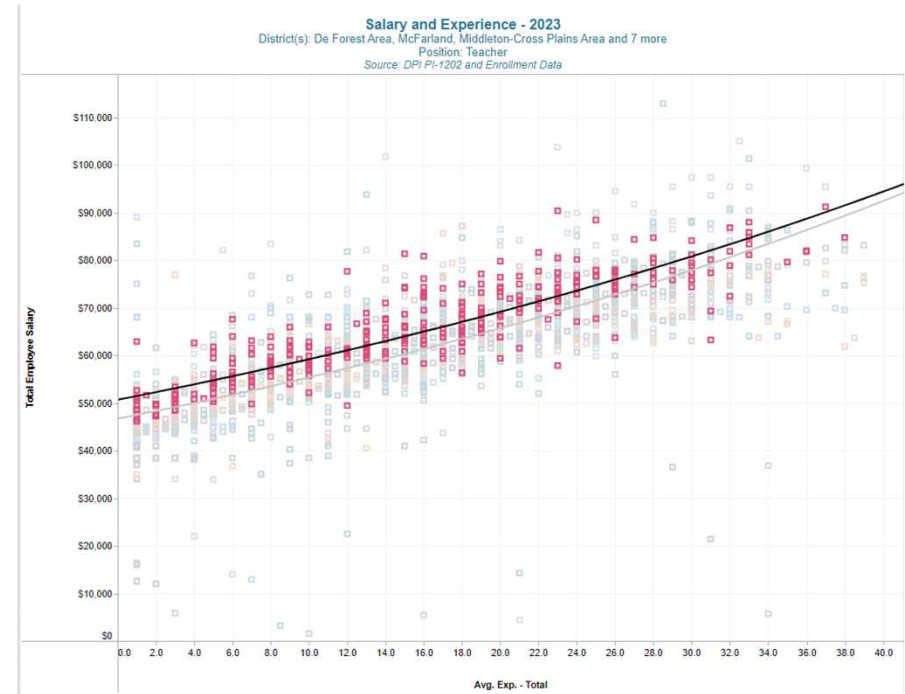
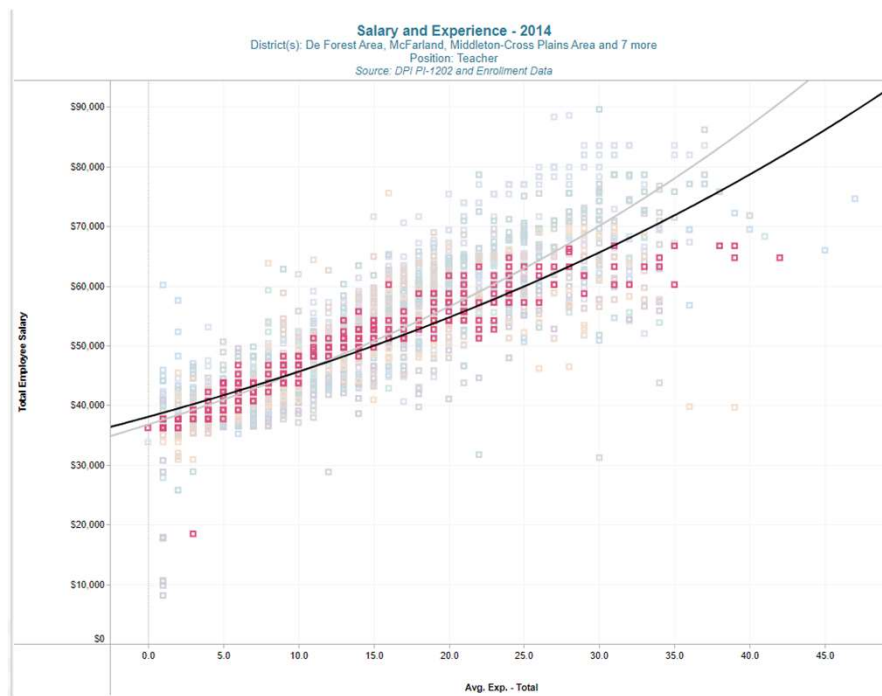
Financial Strategies - High Cost Special Education Aid

Total Costs from This Claim

WUFAR Function	Aid Eligible		Other Local Project 019	All Grant Funded	TOTAL
	Project 011,091 & 092	Project 019 380 Objects			
152000	\$186,206.77	-	-	-	\$186,206.77
156000	\$898,640.28	-	-	\$28,641.79	\$927,282.07
158000	\$2,632,104.65	-	-	-	\$2,632,104.65
159000	\$1,490,260.08	-	-	\$91,646.40	\$1,581,906.48
212000	\$399,265.08	-	-	-	\$399,265.08
213000	\$102,533.80	-	-	-	\$102,533.80
214000	\$58,906.26	-	\$1,042.71	-	\$59,948.97
215000	\$537,093.95	-	\$11,600.23	\$130,091.21	\$678,785.39
216000	-	-	\$8,420.00	\$6,152.25	\$14,572.25
218000	\$335,483.48	-	-	-	\$335,483.48
256000	\$160,869.85	-	-	-	\$160,869.85
436000	\$18,033.08	\$24,400.01	\$81,608.81	\$108,920.61	\$232,962.51
GRAND TOTAL	\$6,819,397.28	\$24,400.01	\$102,671.75	\$365,452.26	\$7,311,921.30

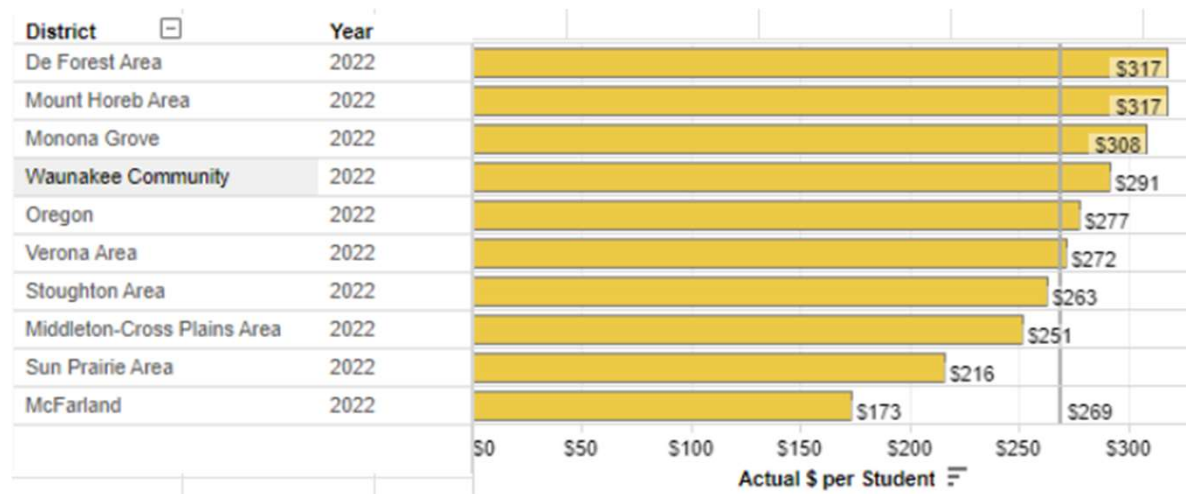
Financial Strategies - Attracting and Retaining High Quality Staff

- Financial commitment to negotiating CPI increases + compensation system
- Compensation system re-designed for long-term sustainability



Financial Strategies - Federal Energy Efficiency Incentives

- Current utility expenditures per student



Waunakee spends the 4th highest utility expenditures per student in Dane County comparables

Financial Strategies - Federal Energy Efficiency Incentives

- Direct Pay Program - up to 30% of project costs

Intermediate School Ballasted Roof Mount
System size: 276 kW DC -240 kWAC
Installed price: \$498,982 - \$1.81/W



Expanded Heritage Elementary Ballasted Roof Mount
*387 kW Installation price: \$ 702,045 - \$1.82/W

*Additional solar for Heritage: 236 kW DC – 240 kW AC –
added to the approved (via P.O.) 151 kW system



Financial Strategies - Federal Energy Efficiency Incentives

- 179D - Tax Deduction
- Tax credit program, not direct payment to district
- Terms should be negotiated with Contractor

Example Project: LED Lighting upgrades



14 Marsh Court • Madison, WI 53718-8805 • Phone (608)-222-0105

P.O. Box 7428 • Madison, WI 53707-7428 • Fax (608)-222-0230

November 20, 2023

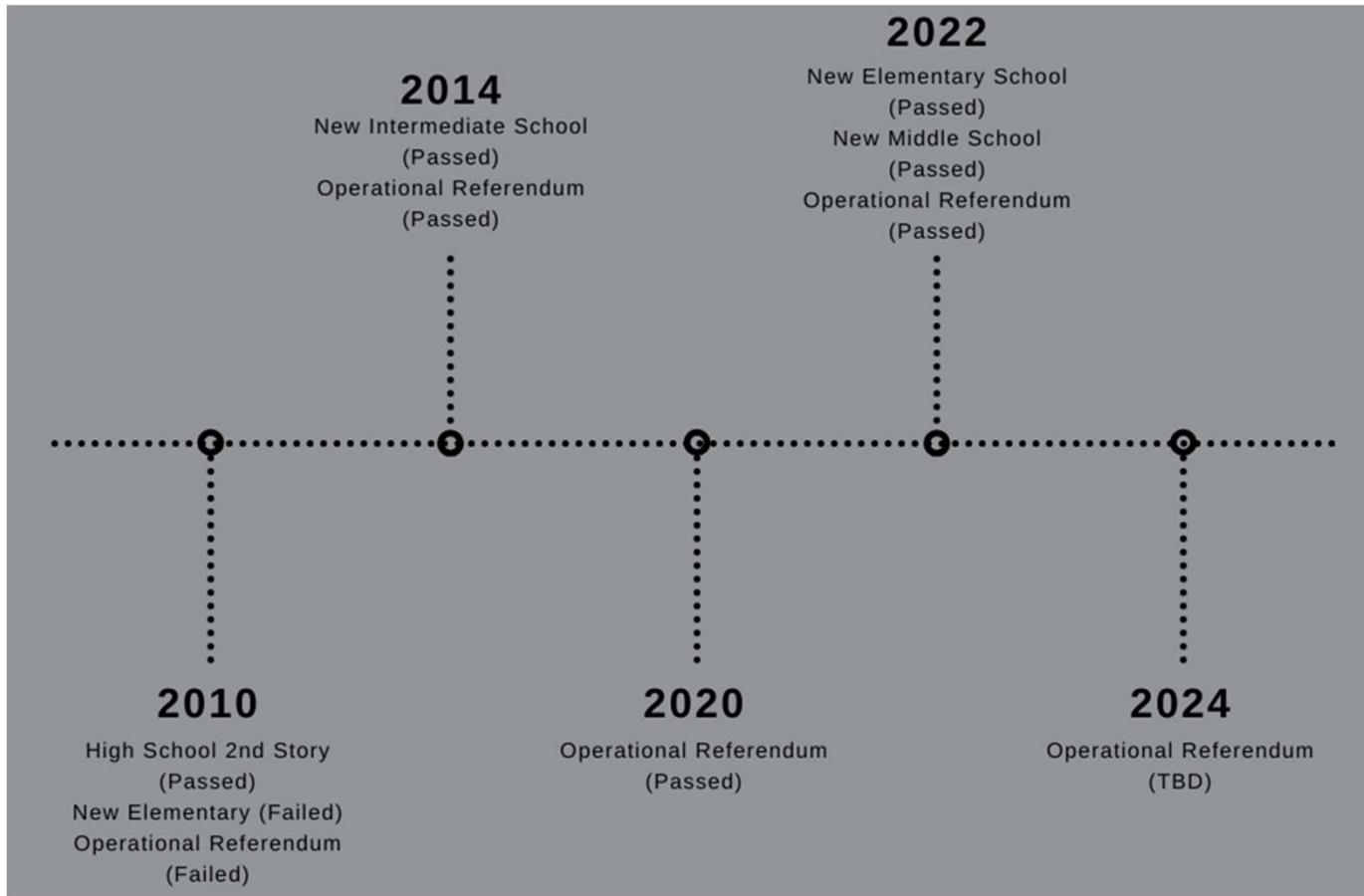
Steve Summers
Waunakee School District
905 Bethel Cir.
Waunakee Wi.

High School WHSPR LED upgrades and Lighting Control additions

Westphal & Company, Inc. would like to present a Quote for the project referenced above:

Quote: \$1,440,850.00

Financial Strategies - Operational & Capital Referendums



Financial Strategies - Property Tax Levy Credit

Estimated increase ~\$1.9M

2. School Levy Property Tax Credit

- **Creates secs. 79.10(7m)(a)1.a., and 1.b., Wis. Stats.**
 - FY2024: \$1,195,000,000
 - Payments totaling \$940,000,000 on the 4th Monday in July 2023 for 2022 property tax levies
 - Payments totaling \$255,000,000 on the 1st Monday in May 2024 for 2023 property tax levies
 - FY2025: \$1,275,000,000
 - Payments totaling \$940,000,000 on the 4th Monday in July 2024 for the 2023 property tax levies
 - Payments totaling \$335,000,000 on the 1st Monday in May 2025 for the 2024 property tax levies
 - In each fiscal year thereafter – on the 4th Monday in July, distribute \$940,000,000 for the property tax levies of the calendar year immediately preceding the distribution
 - In each fiscal year thereafter – on the 1st Monday in May, distribute \$335,000,000 for the property tax levies of the calendar year immediately preceding the distribution
- **Amends sec. 79.10(7m), Wis. Stats.**
 - Removes reference to single payment date "on the 4th Monday in July"
- **Amends sec. 79.14, Wis. Stats., and appropriation amounts**
 - FY2024: \$1,195,000,000
 - FY2025: \$1,275,000,000
- **Effective – July 7, 2023**

Proposed Property Tax Levy			
FUND	Audited	Unaudited	Proposed
	2021-22	2022-23	2023-24
General Fund	24,967,299.00	23,818,251.00	28,232,255.00
Referendum Debt Service Fund	12,017,000.00	14,342,804.00	11,085,466.00
Non-Referendum Debt Service Fund	0.00	0.00	0.00
Capital Expansion Fund	0.00	0.00	0.00
Community Service Fund	450,091.00	394,500.00	394,500.00
TOTAL SCHOOL LEVY	37,434,390.00	38,555,555.00	39,712,221.00
PERCENTAGE INCREASE --			
TOTAL LEVY FROM PRIOR YR	8.0%	3.0%	3.0%

Proposed Property Tax Levy			
FUND	Audited	Unaudited	Proposed
	2021-22	2022-23	2023-24
General Fund	24,967,299.00	23,818,251.00	28,460,117.00
Referendum Debt Service Fund	12,017,000.00	14,342,804.00	12,838,301.00
Non-Referendum Debt Service Fund	0.00	0.00	0.00
Capital Expansion Fund	0.00	0.00	0.00
Community Service Fund	450,091.00	394,500.00	394,500.00
TOTAL SCHOOL LEVY	37,434,390.00	38,555,555.00	41,692,918.00
PERCENTAGE INCREASE --			
TOTAL LEVY FROM PRIOR YR	8.0%	3.0%	8.1%

Financial Strategies - Levy Management Strategies

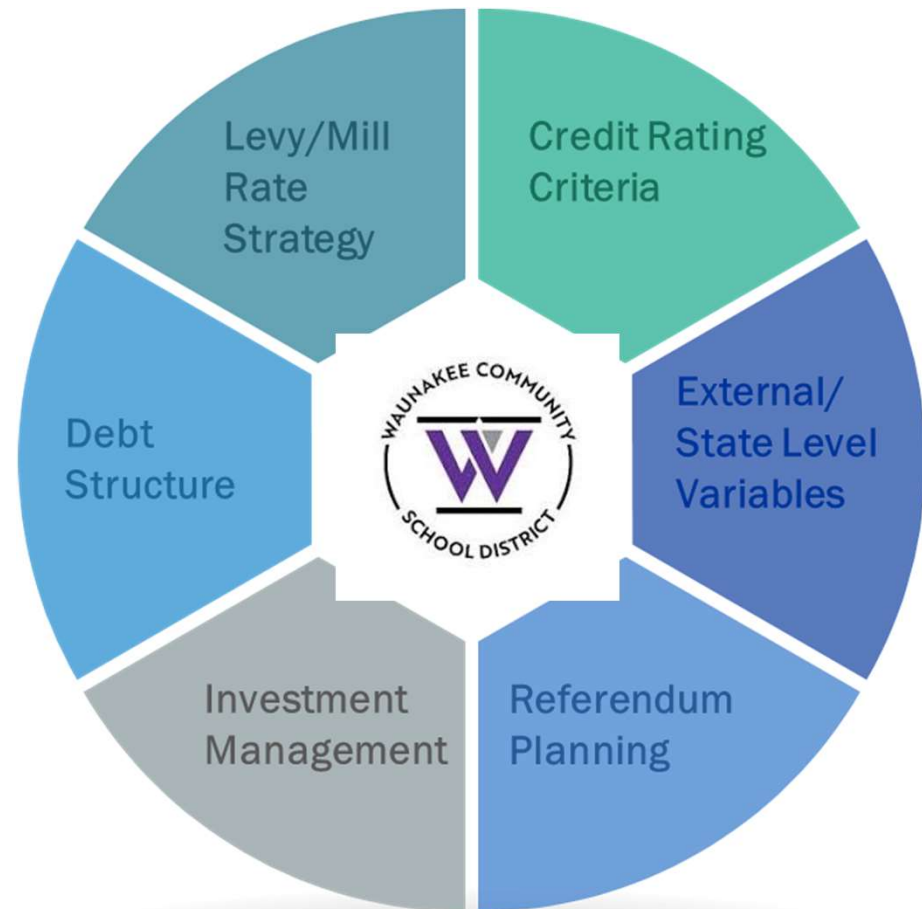
Tax Amounts for 2017 Tax Year	
Jurisdiction	Amount
STATE OF WISCONSIN	\$0.00
DANE COUNTY	\$2,179.86
LOCAL	\$4,242.65
WAUNAKEE SCHOOL DIST	\$6,582.50
MADISON TECH COLLEGE	\$653.28
Total Taxes:	\$13,658.29

Assessed Land Value	Assessed Improvement Value	Total Assessed Value
\$159,500.00	\$467,800.00	\$627,300.00

Tax Amounts for 2023 Tax Year	
Jurisdiction	Amount
DANE COUNTY	\$2,470.59
LOCAL	\$4,220.21
WAUNAKEE SCHOOL DIST	\$6,588.50
MADISON TECH COLLEGE	\$593.30
Total Taxes:	\$13,872.60

Assessed Land Value	Assessed Improvement Value	Total Assessed Value
\$166,500.00	\$671,400.00	\$837,900.00

- PMA's expertise spans many areas of school district financial management
- This allows us to assist the District in making decisions with the big picture in mind
- PMA Municipal Advisor and Investment Management teams truly become an extension of the business office



Role of a Financial Advisor - Additional Services

Budget Planning / Forecasting

- PMA currently does not offer a proprietary budget forecast model, but we regularly support the work of our clients in whatever model they choose

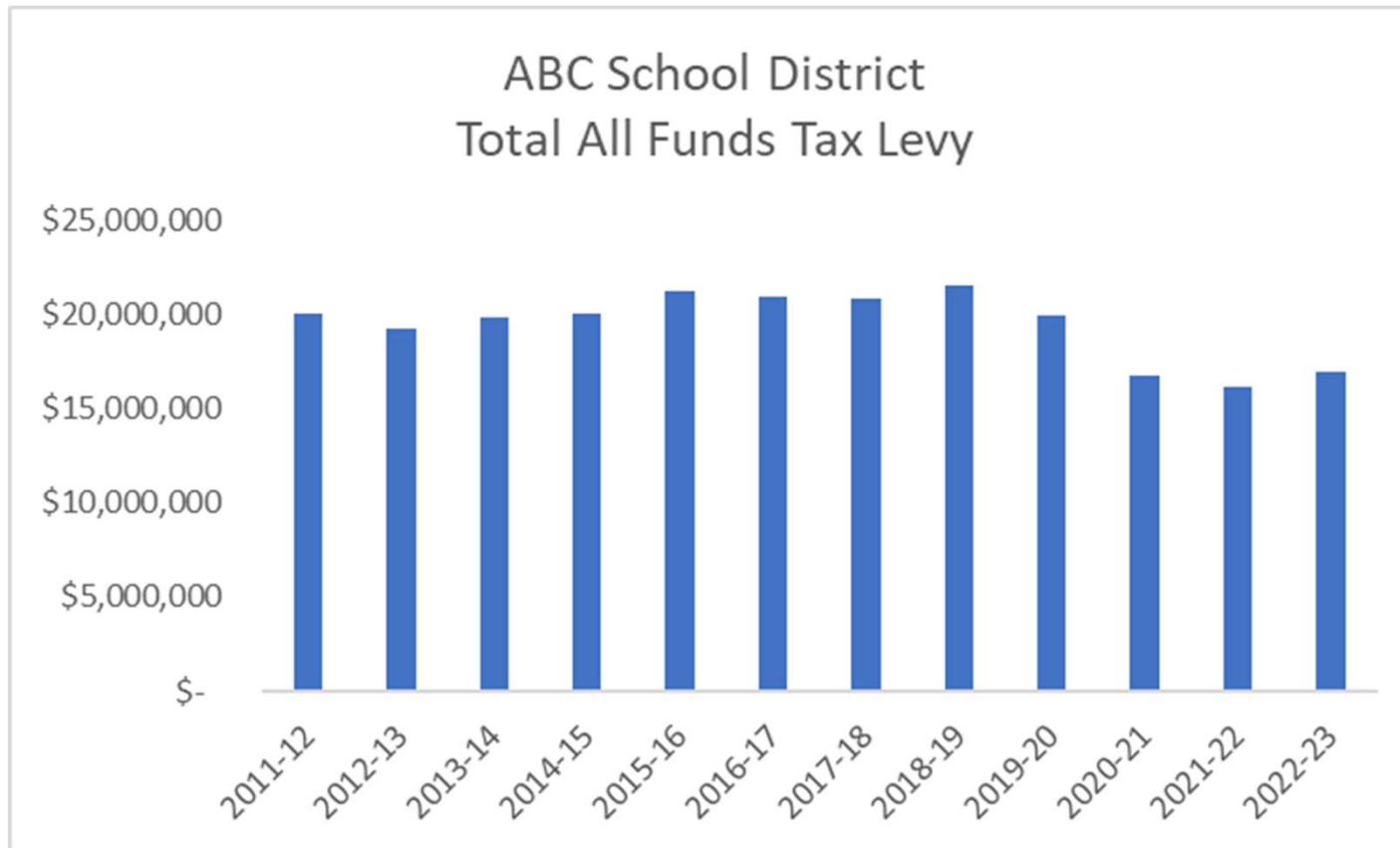
MSRB Disclosure / Dissemination Agent Services

- PMA offers comprehensive Continuing Disclosure preparation and filing services, which include posting documents directly to EMMA on our clients' behalf.

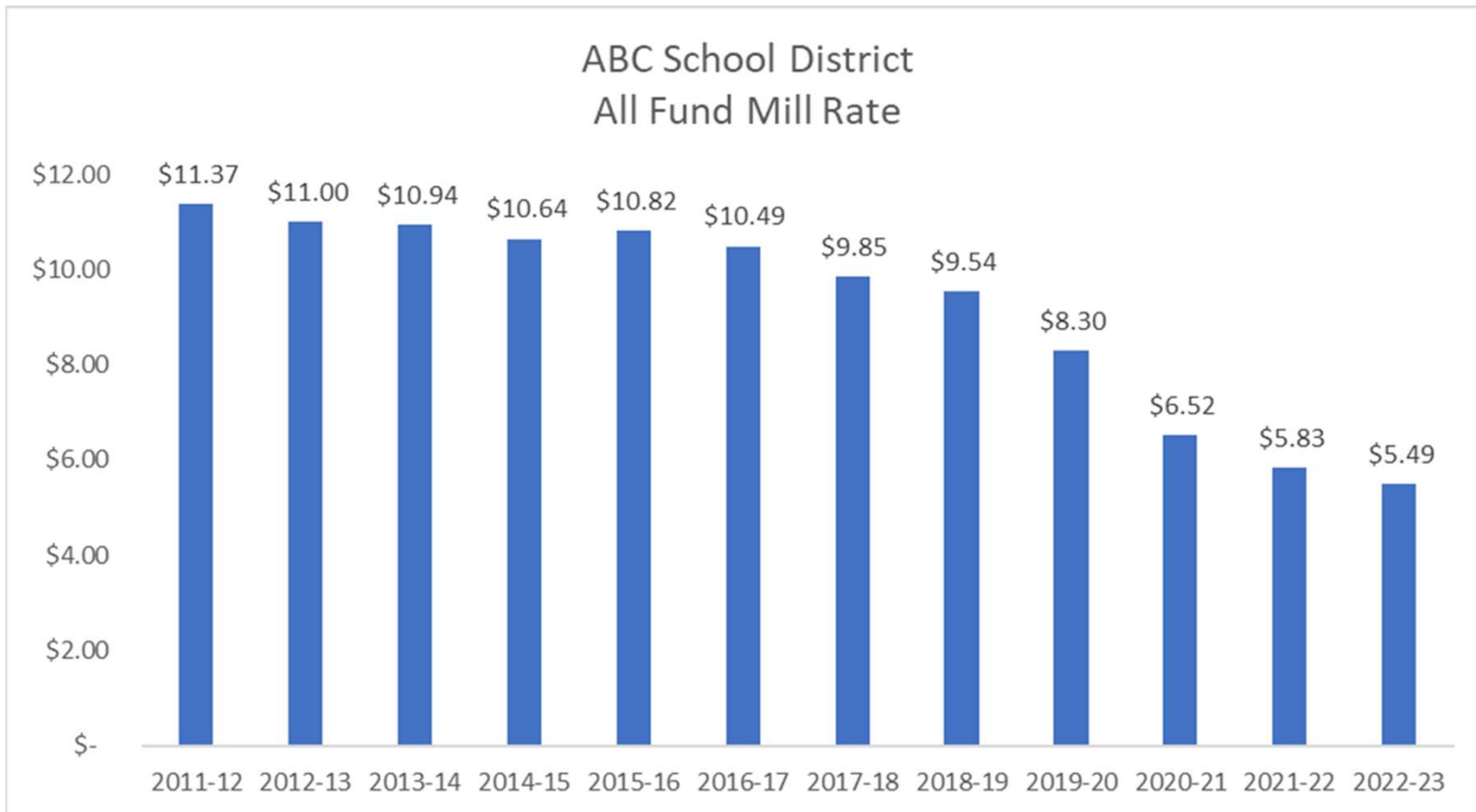
School District Support Tools

- i. Annual Equalized Value Estimates - direct impact on your annual mill rate
- ii. Annual Net New Construction Estimates - new properties paying taxes for the first time
- iii. Mill Rate and Levy Management Template - what are options for targeting one or the other?
- iv. School Levy Credit Estimate - *New* focus with the increase provided in the current biennial budget

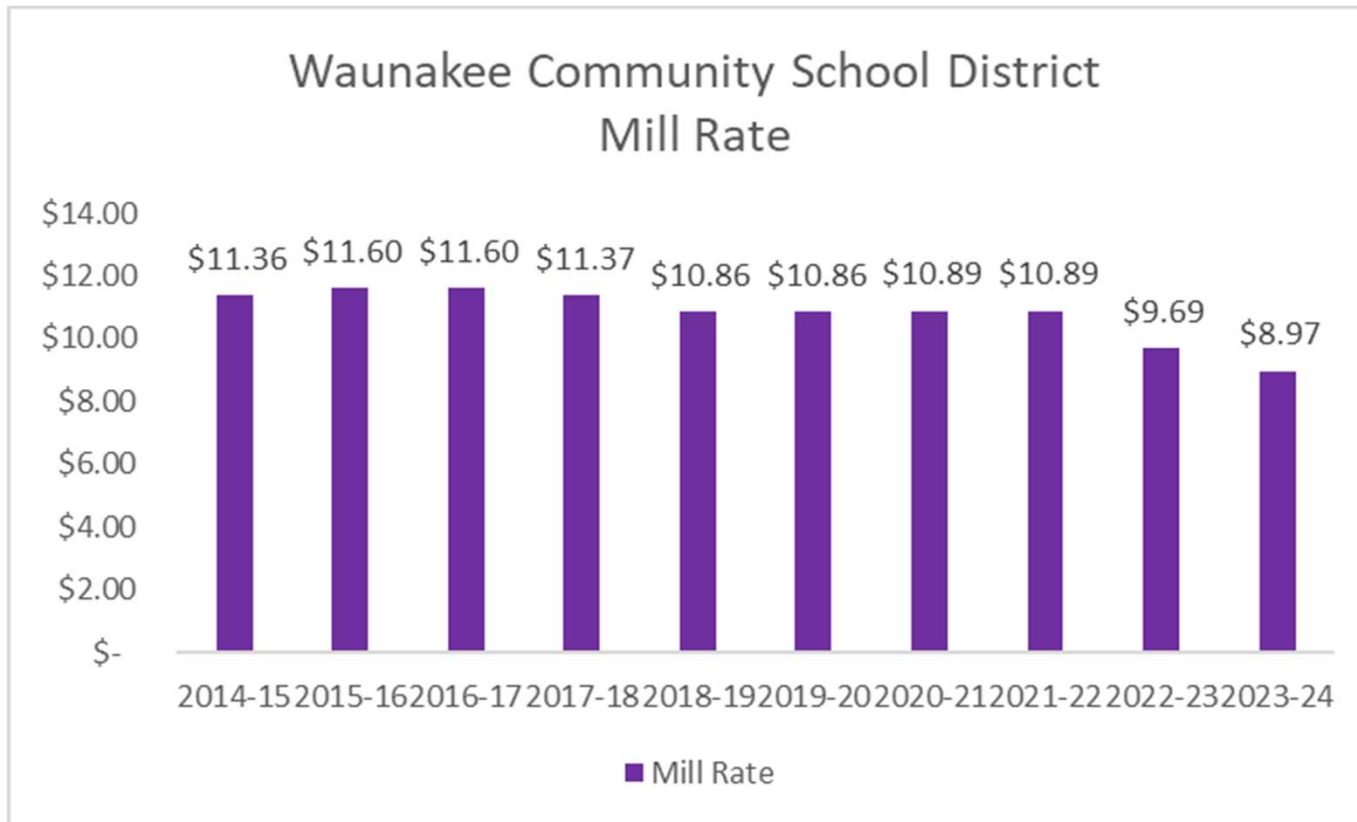
Role of a Financial Advisor - Levy and Mill Rate Management



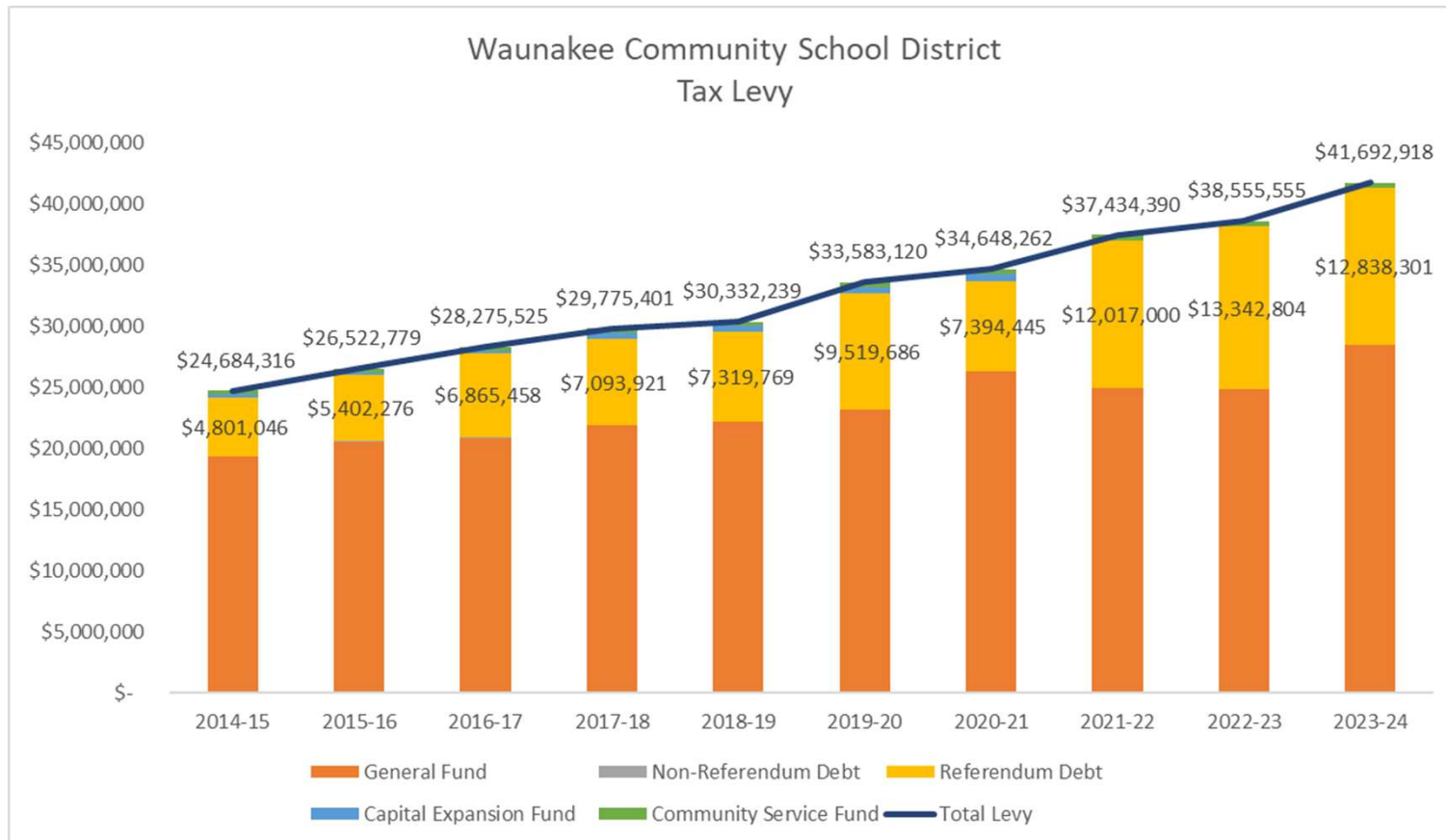
Role of a Financial Advisor - Levy and Mill Rate Management



Role of a Financial Advisor - Levy and Mill Rate Management (Waunakee)



Role of a Financial Advisor - Levy and Mill Rate Management (Waunakee)



Role of a Financial Advisor - Debt Service Defeasance/Prepayment

Defeasance

- A mechanism to prepay existing debt prior to the call date (i.e. date when debt becomes prepayable)
- Funds placed in an irrevocable trust (escrow account) for the purpose of prepaying debt at the call date
- Funds considered “spent” for state aid purposes on the date they are placed in the escrow account
- Costs to setup defeasance is approximately \$16,000

Prepayment

- A mechanism to prepay existing debt at or after the call date
- Funds considered “spent” for state aid purposes on the date the prepayment is actually made.
- No or minimal setup costs

Role of a Financial Advisor - Debt Service Defeasance/Prepayment

Defeasance Strategy

- Annually in November the School Board sets the final tax levy and mill rate
- Historically the District has utilized Fund 39 (referendum approved debt) to balance to their targets
 - Leveraging Net New Construction
 - Leveraging the School Tax Levy Credit ****NEW****
- The additional levy annually is used to pay down debt early
- Waunakee Strategy
 - Target the longest term maturity to maximize interest avoidance/savings
 - Target near term maturities to create “room” for new debt and/or operational levy

Role of a Financial Advisor - Debt Service Refinancing

A key area of focus is monitoring existing debt that is at or near the call date to evaluate the opportunity to create interest savings

Key Considerations:

- Many times debt was issued over a period of 20 years, and coupons are aligned to that amortization
- When evaluating a refunding, there is many times an opportunity for the outstanding amortization to be 10 years or less
- GFOA best practice states the present value minimum should be set at 3.00%

Strategy:

- Identified tax levy reduction through lowering interest expense leading into referendum

Role of a Financial Advisor - Issuance of Debt

When evaluating the issuance of debt, there are key considerations to review and prioritize:

- Cash flow of the project, aligning resources to expenses
- Mill rate target communicated to the community
 - Eg. mill rate increase of \$.25
- Future interest rate risk
- Arbitrage considerations for bond proceeds management
- Future priorities and considerations from a tax levy perspective

Role of a Financial Advisor - Issuance of Debt

When evaluating the issuance of debt, there are key considerations to review and prioritize:

- Each calendar year municipal entities has up to \$10M under the bank qualified program
 - Bank purchasers are incentivized to provide lower interest rates to municipal entities
- Each calendar year municipal entities have up to \$15M under the small issuer exception
 - Issues under this program create interest earnings exempt from arbitrage

Role of a Financial Advisor - Bond Proceeds Management



Bond reports will track:

- ▶ Project variables
- ▶ Interest earnings
- ▶ Spend-down status
- ▶ Potential arbitrage rebate liability



Licensed experts provide:

- ▶ Monthly updates and explanations
- ▶ Detailed analysis of liability status
- ▶ Expected spending requirements on specific future dates
- ▶ Red flags or notice of approaching potential concerns

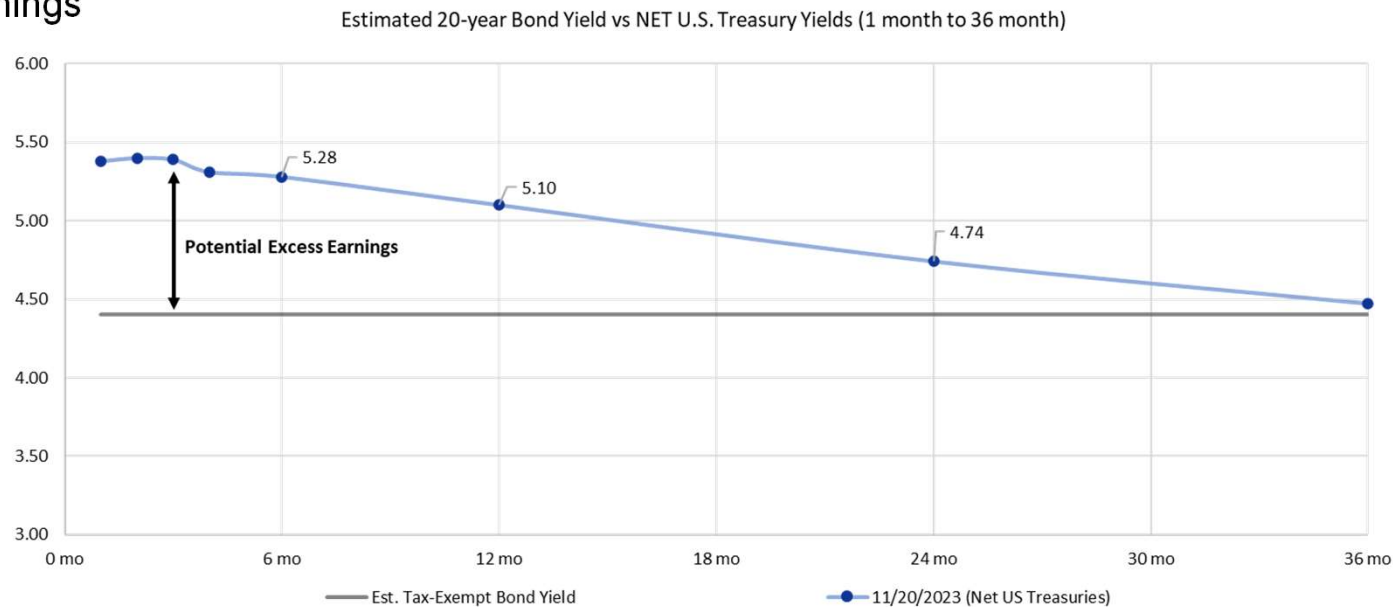
Role of a Financial Advisor - Bond Proceeds Management

Investment Services / Bond Proceeds Management

- The District's debt will be subject to compliance with federal arbitrage rebate regulations, which limits the ability of the District to retain "excess" earnings unless an IRS exception is met.
- Exceptions include (i) small issuer (\$15 million per calendar year for school districts), and (ii) for a large construction project, the 24-month spend down test.
 - 10% in 6 months
 - 45% in 12 months
 - 75% in 18 months
 - 100% in 24 months (*allowance for retainage)
- PMA's municipal advisors would work closely with the District and our investment specialists on the timing and size of the District's debt issues with the presumed goal of meeting the applicable IRS spending exception and maximizing interest earnings retained by the District.
- Note that "arbitrage" for IRS purposes can occur when an issuer of federally tax-exempt debt invests those funds in debt instruments that are subject to US federal income taxes (e.g., US Treasuries, Government Agencies, Certificates of Deposit, etc.). No such rules exist when tax-exempt bond proceeds are invested in tax-exempt municipal securities. There are circumstances when this investment strategy can be advantageous to issuers that don't meet their spend down exception.

Role of a Financial Advisor - Bond Proceeds Management

- A reasonable estimate for a 20-year tax-exempt borrowing rate is 4.40%
- Current short-term investment rates are substantially higher than 4.40%
- If the District meets an IRS exception (i) small issuer or (ii) spend down, it can keep “excess” earnings



Sources: PMA for Borrowing Rate and U.S. Department of the Treasury (less 15 bps)

Role of a Financial Advisor - Bond Proceeds Management



Bond reports will track:

- ▶ Project variables
- ▶ Interest earnings
- ▶ Spend-down status
- ▶ Potential arbitrage rebate liability



Licensed experts provide:

- ▶ Monthly updates and explanations
- ▶ Detailed analysis of liability status
- ▶ Expected spending requirements on specific future dates
- ▶ Red flags or notice of approaching potential concerns

Role of a Financial Advisor - Bond Proceeds Management

Waukegan CSD \$9.98M G.O. Bonds



Bond Portfolio Management Report

Waukegan Community School District - G.O. SB&FIBs, Series 2022

As of 03/31/24

Investment Earnings Detail		Investment Proceeds Information	
\$655,294.32	Current Portfolio Interest Income Estimate	12/29/22	Closing Date - Investment Proceeds Received
\$932,604.59	Potential Interest Income on Balances (5.25%)		
<u>\$1,587,898.91</u>	Estimated Interest Income (Not including Rebate)	\$9,980,000.00	Investment Proceeds Received
\$763,508.00	Original Portfolio Interest Income Estimate	+ \$1,587,898.91	Total Interest Income Net of Rebate
		= \$11,567,898.91	Total Funding Available as of 03/31/24
5.180%	Total Return for Arbitrage Purposes	- \$0.00	Cumulative Expenses Through 03/31/24
610	Weighted Avg Life of Future Projected Expenses	= <u>\$11,567,898.91</u>	Outstanding P & I Net of Rebate after 03/31/24
Portfolio Arbitrage Status			
Yield Restriction: The bond proceeds currently fall under the three year temporary period and are therefore not yield restricted.			
Arbitrage Rebate: The proceeds are subject to arbitrage rebate; however, the district is currently qualifying for the small issuer exception and does not expect to pay arbitrage.			
\$1,587,898.91	Estimated Interest Income (Not including Rebate)	\$1,587,898.91	5.180% Current Interest Estimate for Arbitrage Purposes
\$0.00	Anticipated Arbitrage Rebate Liability	<u>\$1,135,191.57</u>	3.766% Maximum Interest Limited by Arbitrage Yield
<u>\$1,587,898.91</u>	Total Interest Income Net of Rebate	<u>\$452,707.34</u>	1.413% Potential Arbitrage Rebate Liability
Regulatory Requirement		Expenses as of 03/31/24	
<u>Small-Issuer Exception</u>		<u>\$0.00 Expenses to Date: 0.00%</u>	

Role of a Financial Advisor - Bond Proceeds Management

Waunakee CSD \$99.0M G.O. Promissory Notes



Bond Portfolio Management Report

WCSD - \$99MM G.O. Prom Notes, Series 2023 - New Draw (June 2023)

As of 03/31/24

Investment Earnings Detail		Investment Proceeds Information	
\$5,297,153.59	Current Portfolio Interest Income Estimate	02/01/23	Closing Date - Investment Proceeds Received
\$588,745.48	Potential Interest Income on Balances (5.25%)		
<u>\$5,885,899.07</u>	Estimated Interest Income (Not including Rebate)	\$99,000,000.00	Investment Proceeds Received
\$4,000,000.00	Original Portfolio Interest Income Estimate	+ \$3,391,834.49	Total Interest Income Net of Rebate
		= \$102,391,834.49	Total Funding Available as of 03/31/24
4.910%	Total Return for Arbitrage Purposes	- \$52,656,596.62	Cumulative Expenses Through 03/31/24
179	Weighted Avg Life of Future Projected Expenses	= <u>\$49,735,237.87</u>	Outstanding P & I Net of Rebate after 03/31/24

Portfolio Arbitrage Status

Yield Restriction: The bond proceeds currently fall under the three year temporary period and are therefore not yield restricted.

Arbitrage Rebate: The proceeds are subject to arbitrage rebate; however, the district is currently qualifying for the two year exception. Based on cashflow projections, the district does expect to pay arbitrage.

\$5,885,899.07	Estimated Interest Income (Not including Rebate)	\$5,885,899.07	4.910%	Current Interest Estimate for Arbitrage Purposes
\$2,494,064.57	Anticipated Arbitrage Rebate Liability	\$3,391,834.49	2.890%	Maximum Interest Limited by Arbitrage Yield
<u>\$3,391,834.49</u>	Total Interest Income Net of Rebate	<u>\$2,494,064.57</u>	2.020%	Potential Arbitrage Rebate Liability

Regulatory Requirement			Actual/Projected Portfolio Status			Regulatory Status as of 03/31/24	
Estimated Spend-Down Requirements			Cumulative Expenses			\$52,656,596.62	Expenses to Date: 50.20%
08/01/23	10%	\$10,488,589.91	10.91%	\$11,442,621.78	Actual Expense	You have met the 10% requirement.	
02/01/24	45%	\$47,198,654.58	46.87%	\$49,157,144.89	Actual Expense	You have met the 45% requirement.	
08/01/24	75%	\$78,664,424.30	67.91%	\$71,224,497.62	Projected Expense	Need to spend an additional \$26,007,827.68	
02/01/25	100%	\$104,885,899.07	100.00%	\$104,885,899.07	Projected Expense	Need to spend an additional \$52,229,302.45	

Conclusion /Q&A

