



## BUSINESS SERVICES DEPARTMENT

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Erik J. Kass, Assistant Superintendent for Business Services

Daniel A. Nerad, Superintendent of Schools

To: Board of Education

From: Daniel A. Nerad, Superintendent

**APPENDIX MMM-4-17****October 25, 2010**

Date: October 18, 2010

Subject: 5-Year Financial Projection Parameters Recommendation

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Attached you will find the PMA/Client Checklist completed for your consideration as the Administrations recommendation for the parameters that will make up the 5 year budget projection. The major areas and comments about those areas are as follows:

**EXPENDITURE ASSUMPTIONS*****Projected % Salary Increase***

These have been intentionally left blank, as the committee will need to have a conversation about how to handle these going forward. This section, along with the next section (Projected Benefits) comprise approximately 85% of the entire model projection. We will need to address the issue of how these line item projections could impact future negotiations with all employee groups.

***Projected Benefits***

We have worked with our Human Resources Department to provide the best possible projections at this point in time. We have assumed an increase in WRS over the next 3 years of .6% and then assumed this would flatten out. For Health Insurance, we have used a weighted average based upon the number of plans we have with each separate health plan, along with a projected increase for each plan.

***General Fund Assumptions***

Historically Administration has tied this increase to the annualized Consumer Pricing Index (CPI-U), which hovered around approximately 2%. Currently through the month of August, 2010 the annualized CPI-U is at 1.1%. We are recommending that all consumable budgets be increased by 2% in order to allow schools and departments the ability to meet the increasing needs and price increases.

***Utilities Assumptions***

Administration has worked with Madison Gas and Electric (MG&E), the City of Madison, and our independent natural gas consultant Select Energy to prepare the recommended rates of utility increase.

### ***Transportation Assumptions***

In the current transportation contracts approved by the Board of Education, the allowable rate increase each year is set between 2.5 and 4.0%. The increase is then based off of the CPI-U, which again is tracking at 1.1%. Administration is recommending using 4%, the maximum, at this point in time as we are uncertain where CPI-U will be come June of 2011.

### ***District Insurance***

The District was able to utilize our recent RFP process to better gauge future increases to these areas of insurance. The most uncertain one in this area will be Worker's Compensation, which is based upon our annual use or claims against this policy. We will continue to monitor, and believe that a 2% increase will be adequate over these five years.

### ***Fund 27 Assumption***

This is the same as Fund 10.

### ***Fund 41 Assumption***

This is the same as Fund 10.

### ***Fund 50 Assumption***

This is the same as Fund 10.

### ***Fund 80 Assumption***

This is the same as Fund 10.

## **REVENUE ASSUMPTIONS**

### ***Equalized Value/General State Aid/Revenue Limit***

The recommendations within this category will provide projections for the majority of future revenues to our school district. We are recommending using a property value decrease in Year 1 of 4% and a further decrease of 2% in Year two of the projection. After these decreases, we are recommending keeping the property values at 0% for Years 3 to 5.

For aid from the State of Wisconsin, we are recommending assuming a decrease of 15% in year 1, 10% in year 2, 5% in year 3, and then staying stable for years 4 and 5. There are many factors that point to MMSD beginning to trend for increases in state aid, such as: Increase enrollment due to 4-K, decreasing property values, decreasing property value per member, and overall budget spending decrease for 2010-11. The major unknown to how much funding we will receive lies in how much money the State of Wisconsin will appropriate to public education in the next biennial budget.

The final major assumption in this area, is the Per Pupil Revenue Limit (Amount) line item. This amount was set through the biennial budget process as an increase of \$200 per pupil for the 2009-10 and 2010-11 school years. We believe the conservative approach of continuing this trend forward is most realistic at this point in time.

### ***Other Revenue Assumptions***

We have historically haven't increased any revenue projections within this area, except for Open Enrollment. For the Open Enrollment recommendation, we have looked at the past ten years, and found that trended out to an increase in the per pupil transfer amount of 3.5%.

### ***Revenue Limit Exemptions***

The legislature in the last biennial budget process afforded school districts the option of levying a property tax outside the revenue limit formula for the express purpose of School Safety, Nurses, and Energy Efficiency. We are not recommending an assumption of utilizing these funding sources in this projection, due to the fact that we will have unused revenue limit authority carrying forward.

### ***Levy Assumptions***

For Fund 41 and Fund 80, we will present a levy that will be equal to the allowable expenditures, less any other sources of revenue within each area. This will directly tie back to earlier parameters that we are recommending to increase consumable budgets by 2% in each area.

The under-levy amount will be filled in after October 25, 2010 by administration after the Board of Education approves the final levy amounts by fund. The is currently projected to be between \$13 and \$16 million for 2010-11 and we would recommend keeping this at the same level at this point in time. First this would recommend not under-levying for any of the next five years and secondly it would not assume using any of these funds going forward either.

### ***Fund 27 Aidable Costs and Aid***

Administration is recommending continuing to project a decrease in state funding for categorical aids in the amount of .5% per year in the areas listed. We have also tied our special education transportation budget back to our recommendation for regular education transportation which was an increase of 4%.



# PMA/Clients Checklist

## Variables and Assumptions for Future Fiscal Year Projections

Madison Metropolitan School District

### EXPENDITURE ASSUMPTIONS

	FY12	FY13	FY14	FY15	FY16
<b>Projected % Salary Increases</b>					
Teachers - Projected Step Increase					
Teachers - Base Increase					
Teachers - Non-Salary Sched (e.g. Appx B)					
Administrators					
Custodians					
SEE-Clerical/Technical					
Ed Assistants (EA/SEA)					
Food Services					
NUC - Non Union Clerical					
NUP - Non Union Professional					
Trades					
Security					
Other					

	FY10-11
<b>Projected Benefits</b>	
<b>Projected Rates</b>	
FICA/Medicare	7.65%
WRS - Board	6.20%
WRS - EE	4.80%
Other %-based ins. (user defined)	
Other %-based ins. (user defined)	
Other %-based ins. (user defined)	
Other %-based ins. (user defined)	
<b>Projected Percentage Increases</b>	
Health Insurance	7.14%
Dental Insurance	4.00%
Life Insurance/Misc	0.00%
Other Insurance (user-defined)	0.00%

	FY10-11
<b>General Fund 10 Assumptions (% change)</b>	
300 Purchased Services	2.00%
400 Non-Capital Objects	2.00%

# PMA/Client Checklist

## Variables and Assumptions for Future Fiscal Year Projections

### Madison Metropolitan School District

500 Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
600 Debt Service	see debt tables submitted				
700 Insurance & Judgment	2.00%	2.00%	2.00%	2.00%	2.00%
900 Other Expenditures	2.00%	2.00%	2.00%	2.00%	2.00%

**Utilities Assumptions (Function 2530) (% change)**

331 Gas for Heat	7.00%	7.00%	7.00%	7.00%	7.00%
332 Oil for Heat	0.00%	0.00%	0.00%	0.00%	0.00%
333 Coal/Wood for Heat	0.00%	0.00%	0.00%	0.00%	0.00%
334 Electricity for Heat	0.00%	0.00%	0.00%	0.00%	0.00%
335 Gas Other Than Heat	8.50%	8.00%	8.00%	8.00%	8.00%
336 Electricity Other Than Heat	8.00%	8.00%	8.00%	8.00%	8.00%
337 Water	7.00%	7.00%	7.00%	7.00%	7.00%
338 Sewerage	7.00%	7.00%	7.00%	7.00%	7.00%
339 Other Utilities	0.00%	0.00%	0.00%	0.00%	0.00%

# PMA/Clients Checklist

## Variables and Assumptions for Future Fiscal Year Projections

### Madison Metropolitan School District

**Transportation Assumptions (Function 2560) (% change)**

341 Contracted Pupil Transportation	4.00%	4.00%	4.00%	4.00%	4.00%
343 Contracted Service Travel	2.00%	2.00%	2.00%	2.00%	2.00%
348 Vehicle Fuel	2.00%	2.00%	2.00%	2.00%	2.00%

**District Insurance**

711 District Liability	2.00%	2.00%	2.00%	2.00%	2.00%
712 District Property	121,576	0.00%	0.00%	0.00%	0.00%
713 Workers Compensation	2.00%	2.00%	2.00%	2.00%	2.00%
714 Fidelity	2.00%	2.00%	2.00%	2.00%	2.00%
715 District Multiple Coverage	2.00%	2.00%	2.00%	2.00%	2.00%
716 District Student	2.00%	2.00%	2.00%	2.00%	2.00%
719 Other District	2.00%	2.00%	2.00%	2.00%	2.00%
720 Judgements	2.00%	2.00%	2.00%	2.00%	2.00%
730 Unemployment Compensation	2.00%	2.00%	2.00%	2.00%	2.00%
790 Insurance & Judgements	2.00%	2.00%	2.00%	2.00%	2.00%

**Fund 27 Assumptions (% change)**

300 Purchased Services	2.00%	2.00%	2.00%	2.00%	2.00%
400 Non-Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
500 Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
600 Debt Service	see debt tables submitted				
700 Insurance & Judgment	2.00%	2.00%	2.00%	2.00%	2.00%
900 Other Expenditures	2.00%	2.00%	2.00%	2.00%	2.00%

**Fund 41 Assumptions (% change)**

300 Purchased Services	2.00%	2.00%	2.00%	2.00%	2.00%
400 Non-Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
500 Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
600 Debt Service	see debt tables submitted				
700 Insurance & Judgment	2.00%	2.00%	2.00%	2.00%	2.00%
900 Other Expenditures	2.00%	2.00%	2.00%	2.00%	2.00%

**Fund 50 Assumptions (% change)**

300 Purchased Services	2.00%	2.00%	2.00%	2.00%	2.00%
400 Non-Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
500 Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%
600 Debt Service	see debt tables submitted				

# PMA/Client Checklist

## Variables and Assumptions for Future Fiscal Year Projections

### Madison Metropolitan School District

700 Insurance & Judgment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
900 Other Expenditures	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%



### Fund 80 Assumptions (% change)

300 Purchased Services	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
400 Non-Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
500 Capital Objects	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
600 Debt Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
700 Insurance & Judgment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
900 Other Expenditures	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%



# PMA/Client Checklist

## Variables and Assumptions for Future Fiscal Year Projections

### Madison Metropolitan School District

#### REVENUE ASSUMPTIONS

##### Equalized Value/General State Aid/Revenue Limit

<input type="checkbox"/>	Oct 15 Equalized Valuation (% change)	FY12	FY13	FY14	FY15	FY16
<input type="checkbox"/>	Oct 15 Exempt Computer (% change)	-4.00%	-2.00%	0.00%	0.00%	0.00%
<input type="checkbox"/>	Secondary Aid Guarantee (% change)	-2.00%	0.00%	0.00%	0.00%	0.00%
<input type="checkbox"/>	Tertiary Aid Guarantee (% change)	-15.00%	-10.00%	-5.00%	0.00%	0.00%
<input type="checkbox"/>	Secondary Cost Ceiling (% change)	-15.00%	-10.00%	-5.00%	0.00%	0.00%
<input type="checkbox"/>	Per Pupil Revenue Limit (Amount)	\$200	\$200	\$200	\$200	\$200
<input type="checkbox"/>	--- or: Per Pupil Revenue Limit (% change)	0.00%	0.00%	0.00%	0.00%	0.00%
<input type="checkbox"/>	Transfer of Service (\$ amount)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<input type="checkbox"/>	Low Spending District (\$ amount)	\$9,000	\$9,200	\$9,400	\$9,600	\$9,800

##### Other Revenue Assumptions

<input checked="" type="checkbox"/>	Investment Income (% change)	0.00%	0.00%	0.00%	0.00%	0.00%
<input checked="" type="checkbox"/>	Student Fees (% change to fee schedule)	0.00%	0.00%	0.00%	0.00%	0.00%
<input checked="" type="checkbox"/>	Text Book (% change to text book schedule)	0.00%	0.00%	0.00%	0.00%	0.00%
<input type="checkbox"/>	Open Enrollment Amount (% change)	3.50%	3.50%	3.50%	3.50%	3.50%
<input checked="" type="checkbox"/>	Library Aid Amount (% change)	0.00%	0.00%	0.00%	0.00%	0.00%
<input checked="" type="checkbox"/>	Census (% change)	0.00%	0.00%	0.00%	0.00%	0.00%
<input checked="" type="checkbox"/>	SAGE (% Change)	0.00%	0.00%	0.00%	0.00%	0.00%
<input checked="" type="checkbox"/>	Sparsity Aid (\$ amount)	\$0	\$0	\$0	\$0	\$0

##### Revenue Limit Exemptions

<input type="checkbox"/>	School Safety (\$ amount)					
<input type="checkbox"/>	Nurses Safety (\$ amount)					
<input type="checkbox"/>	Transportation (\$ amount)					
<input type="checkbox"/>	Energy Efficiency (\$ amount)					

##### Levy Assumptions

<input checked="" type="checkbox"/>	Fund 41 Levy (\$ amount)					
<input checked="" type="checkbox"/>	Fund 80 Levy (\$ amount)					
<input type="checkbox"/>	Under-Levy Amounts					

match expenditures  
match expenditures

SPED Aid Reimbursement Percent

# PMA/Client Checklist

## Variables and Assumptions for Future Fiscal Year Projections

### Madison Metropolitan School District

Fund 27 Aidable Costs & Aid	FY11 Budget	FY12	FY13	FY14	FY15	FY16
Special Education	53,713,774.59	26.30%	25.80%	25.30%	24.80%	24.30%
Social Workers / Psychologist	\$5,461,116.66	26.30%	25.80%	25.30%	24.80%	24.30%
Hospital	\$291,737.50	100.00%	100.00%	100.00%	100.00%	100.00%
Room and Board	\$0.00	26.30%	25.80%	25.30%	24.80%	24.30%
Transportation - Salaries / Benefits	\$0.00	26.30%	25.80%	25.30%	24.80%	24.30%

Aidable Salary and Benefits - % Change

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Transportation - Purchased Service

\$3,777,710.50						
Aidable Transportation Purchased Services - \$ Change	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Total Aidable Cost Budget

\$63,244,339.25