



## BUSINESS SERVICES DEPARTMENT

545 West Dayton St. ● Madison, Wisconsin 53703-1995 ■ 608.663.1634 ▼ www.mmsd.org

Erik J. Kass, Assistant Superintendent for Business Services

Daniel A. Nerad, Superintendent of Schools

TO: Members of the Board of Education

FROM: Daniel A. Nerad, Superintendent

DATE: August, 18, 2008

Subject: Executive Summary – Three Year Financial Forecast

---

**Background:**

An update of the annual budget forecast model has been completed by the district's contracted consultant PMA Financial Network, Inc. Utilizing the Board of Education adopted 2008-09 budget, PMA cast forward a revised three-year financial forecast which identifies the expected budget gap under revenue limits for 2009-10, 2010-11 and 2011-12. The attached materials include a summary of the parameters utilized in the analysis and a summary for the projected gap.

Enrollment data was used from the 2007-08 published projections utilizing a conservative approach to future year's growth for 2009-10, 2010-11 and 2011-12 and taking into consideration that enrollment increases benefit the district when the student has been in the district for three consecutive years as the revenue limit does not give full credit until then.

The original projected budget gap for the three fiscal years were approximately:

2009-10	\$9,200,000
2010-11	\$6,000,000
2011-12	\$5,100,000

The budget forecast parameters that have changed since April are provided in your packet.

**Summary:**

The budget forecast for 2009-10 projects a budget gap of \$8,111,826. Projected gaps for subsequent years are:

- 2010-11 \$4,368,907
- 2011-12 \$4,262,001

**Note: This forecast is an estimate based on conservative enrollment projections, 2008-09 staffing data, and assumptions for major expenditures for the 2009-10, 2010-11 and 2011-12 fiscal years which are all contained in this report.**

**Madison Metropolitan School District  
Major Changes to the Budget Forecast  
August 18, 2008**

**Parameters that affect the 2009-10, 2010-11 and 2011-12 financial forecast gaps are as follows:**

**Revenues:**

- Student Fees at the school level carried forward in the amount of \$1,100,000
- Increase in categorical aid for Psychologists, Social Workers, Guidance Counselors and Nurses
- Transfer of Service Exemption increase in 2008-09 of \$400,000
- Projected Revenue Limit increase in the per pupil amount from 2.8% to 2.5%
- Projected High Cost Special Education Aid \$800,000 in 2009-10 and carried forward

**Expenditures:**

- Updated settlement amounts and projected increases for salaries and benefits
- Open Enrollment increase of 10% per year from 0% in previous projection



**PMA Financial Network Inc.**  
**Five Year Financial Projections**

**Madison Metropolitan School District**

**Fund 10 - Projection Summary - No Referendum - Fund 41 Not Implemented**

	BUDGET		Projections				
	FY - 2009	FY - 2010	% Change	FY - 2011	% Change	FY - 2012	% Change
<b>REVENUE</b>							
Local Sources	\$221,121,169	\$224,441,603	1.50%	\$218,611,602	-2.60%	\$215,206,332	-1.56%
State Sources	\$73,783,063	\$73,681,231	-0.14%	\$83,227,815	12.96%	\$97,642,430	17.32%
Federal Sources	\$8,876,808	\$8,876,808	0.00%	\$8,876,808	0.00%	\$8,876,808	0.00%
Other	\$2,352,695	\$2,582,663	9.77%	\$2,612,143	1.14%	\$2,642,518	1.16%
<b>TOTAL REVENUE</b>	<b>\$306,133,735</b>	<b>\$309,582,305</b>	<b>1.13%</b>	<b>\$313,328,368</b>	<b>1.21%</b>	<b>\$324,368,108</b>	<b>3.52%</b>
<b>EXPENDITURES</b>							
Salary and Benefits	\$211,442,297	\$219,644,899	3.88%	\$228,736,869	4.14%	\$239,691,039	4.79%
Other Objects	\$94,691,438	\$98,049,232	3.55%	\$97,072,232	-1.00%	\$101,419,803	4.48%
<b>TOTAL EXPENDITURES</b>	<b>\$306,133,735</b>	<b>\$317,694,131</b>	<b>3.78%</b>	<b>\$325,809,101</b>	<b>2.55%</b>	<b>\$341,110,842</b>	<b>4.70%</b>

<b>EXCESS (DEFICIT) REVENUE OVER EXPENDITURES</b>	\$0	(\$8,111,826)		(\$17,480,733)		(\$16,742,734)
Excess (Deficit) Over Previous Fiscal Year		(\$8,111,826)		(\$4,368,907)		(\$4,262,001)

<b>BEGINNING FUND BALANCE</b>	\$21,638,299	\$21,638,299	0.00%	\$13,526,474	-37.49%	\$1,045,740	-92.27%
<b>PROJECTED YEAR-END FUND BALANCE</b>	\$21,638,299	\$13,526,474	-37.49%	\$1,045,740	-92.3%	(\$15,696,994)	-1601%

<b>FUND BALANCE AS % OF EXPENDITURES</b>	7.07%	4.26%		0.32%		-4.60%
<b>FUND BALANCE AS A # OF MONTHS OF EXPENDITURES</b>	0.85	0.51		0.04		(0.55)



**PMA Financial Network Inc.**  
**Five Year Financial Projections**

**Madison Metropolitan School District**

**Tax Levy Analysis - No Referendum - Fund 41 Not Implemented**

Fund	Actual										Budget		Projections	
	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012	FY-2013	FY-2014	FY-2015	FY-2016	
General Fund	\$182,693,000	\$187,680,455	\$185,317,558	\$193,818,516	\$201,209,415	\$204,947,372	\$213,702,815	\$207,776,915	\$204,277,441	\$214,514	\$214,514	\$214,514	\$214,514	
Property Tax Charge Back Levy	\$138,228	\$70,818	\$122,301	\$120,707	\$195,010	\$208,468	\$205,155,840	\$213,917,329	\$207,991,429	\$214,514	\$214,514	\$214,514	\$214,514	
Total General Fund Levy	\$182,831,228	\$187,751,273	\$185,439,859	\$193,939,223	\$201,404,425	\$205,155,840	\$213,917,329	\$207,991,429	\$204,491,955	\$214,514	\$214,514	\$214,514	\$214,514	
Percent Change		2.69%	-1.23%	4.58%	3.85%	1.86%	4.27%	-2.77%	-1.68%					
Fund 38 Non-Referendum Debt Svc.	\$888,686	\$1,014,971	\$1,000,668	\$1,010,944	\$325,204	\$724,256	\$65,250	\$65,250	\$65,250	\$65,250	\$65,250	\$65,250	\$65,250	
Percent Change		14.21%	-1.41%	1.03%	-67.83%	122.71%	-90.99%							
Fund 39 Referendum Approved Debt Svc.	\$5,122,180	\$5,451,345	\$5,334,887	\$4,325,581	\$7,940,075	\$7,261,532	\$7,175,794	\$7,108,081	\$4,780,775	\$7,175,794	\$7,108,081	\$4,780,775	\$-37,749	
Percent Change		6.43%	-2.14%	-18.92%	62.75%	-9.35%	-1.18%	-0.94%	-37.74%					
Fund 41 Capital Expansion Fund														
Percent Change														
Fund 80 Community Service Fund	\$7,296,009	\$8,228,829	\$8,587,841	\$9,930,331	\$11,520,780	\$12,482,833	\$12,982,146	\$13,501,432	\$14,041,489	\$12,482,833	\$13,501,432	\$14,041,489	\$14,041,489	
Percent Change		11.26%	4.36%	15.63%	16.02%	8.35%	4.00%	4.00%	4.00%					
Total Levy	\$196,238,103	\$202,446,418	\$200,363,255	\$209,206,679	\$220,290,484	\$225,624,461	\$234,140,519	\$228,666,139	\$223,379,470	\$225,624,461	\$228,666,139	\$223,379,470	\$-3.1%	
Percent Change		3.16%	-1.03%	4.41%	5.39%	2.42%	3.77%	-2.34%	-2.31%					

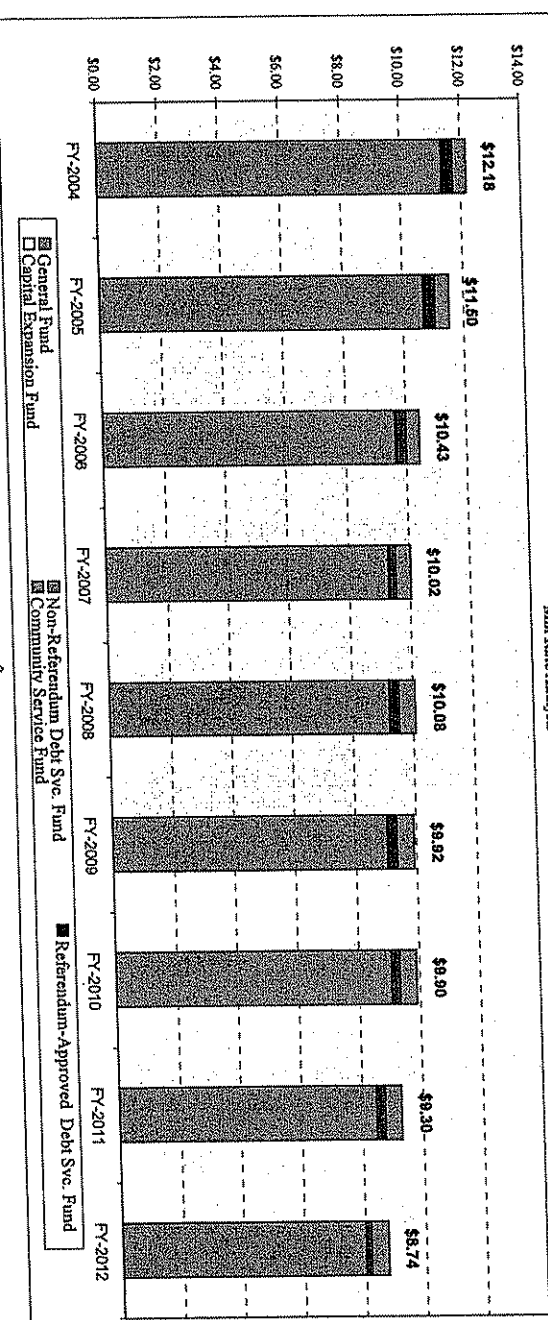
**Equalized Valuation**  
**TY-Our Tax Apportionment Equalized Valuation**

Fund	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012
General Fund	\$16,111,328,273	\$17,600,737,346	\$19,212,707,885	\$20,882,231,238	\$21,838,724,192	\$22,733,097,920	\$23,642,416,636	\$24,588,113,302	\$25,571,637,834
Percent Change		9.24%	9.16%	8.69%	4.68%	4.00%	4.00%	4.00%	4.00%

**MHI Rate**  
**Fund 10 General Fund**  
**Fund 38 Non-Referendum Debt Svc.**  
**Fund 39 Referendum Approved Debt Svc.**  
**Fund 41 Capital Expansion Fund**  
**Fund 80 Community Service Fund**  
**MHI Rate Total**  
**Percent Change**

Fund	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012
General Fund	\$11.35	\$10.67	\$9.65	\$9.29	\$9.21	\$9.02	\$9.05	\$8.46	\$8.00
Non-Referendum Debt Svc.	\$0.06	\$0.06	\$0.05	\$0.05	\$0.01	\$0.03	\$0.30	\$0.29	\$0.19
Referendum Approved Debt Svc.	\$0.32	\$0.31	\$0.28	\$0.21	\$0.32	\$0.32	\$0.55	\$0.55	\$0.55
Capital Expansion Fund	\$0.46	\$0.47	\$0.45	\$0.48	\$0.53	\$0.55	\$0.55	\$0.55	\$0.55
Community Service Fund	\$12.18	\$11.60	\$10.43	\$10.02	\$10.08	\$9.92	\$9.90	\$9.30	\$8.74
MHI Rate Total									
Percent Change		-5.88%	-9.30%	-3.93%	0.60%	-1.59%	-0.20%	-6.06%	-6.02%

**MHI Rate Analysis**



All assumptions provided by District

**Updated Parameters and Assumptions for the Three Year Budget Forecast**  
**2009-10**  
**2010-11**  
**2011-12**

**REVENUE**

**Revenue Limit Increase per Pupil**

Per statute, the statewide per pupil increase in the revenue limit (\$264.12 in 2007-08) will be increased by the percent increase in the CPI from March 31, 2007 to March 31, 2008. An increase of 2.8% (per pupil of \$271.52) in 2008-09 and 2.5% was carried forward.

**September Enrollment**

Enrollment data was used from the 2007-08 published projections utilizing a conservative approach to future year's growth for 2009-10, 2010-11 and 2011-12 and taking into consideration that enrollment increases benefit the district when the student has been in the district for three consecutive years as the revenue limit does not give full credit until then.

**Student Fees**

Student fees of all types are assumed to be unchanged.

**State Equalization Aid**

Equalization Aid is calculated based on conservative estimates for increases to the state aid formula guarantees and changes to accounting practices for tracking maintenance and capital expenditures.

**State Categorical Aids**

Categorical aids for library, transportation and bilingual programs are assumed to be unchanged.

**Investment Income**

Interest rates are assumed to not increase.

**State Special Education Aid**

A state reimbursement rate of 28.8% of eligible special education costs is assumed for 2008-09. Beginning in 2009-10 we are assuming a decrease of .5% in the state reimbursement rate.

**Other Revenue**

Other forms of revenue are assumed to be unchanged.

### **High Cost EEN Program Aid**

The budget includes \$600,000 for state aid for high cost/low incidence programs, adjusted to add \$500,000 during the 2008-09 budget build an additional \$500,000 was added to revenue based on the claim submitted and accepted. This estimate is based on historical amounts received.

## **EXPENDITURES**

### **Employee Salaries & Benefits**

Updated settlement amounts and projected increases for salaries and benefits

### **Teacher Salary Horizontal Movement**

Horizontal movement of teachers on the salary schedule is projected to be \$400,000 each year, based on the average of the three previous years.

### **Temporary Salaries & Benefits (Substitutes, Overtime, Etc.)**

Temporary salaries and applicable fringe benefits are being increased 3%

### **Staffing**

Staffing levels have been established per enrollment projections.

### **Natural Gas, Electricity, Sewer & Water**

Based on discussions with representatives of utility suppliers, natural gas is expected to increase 8.0%; electricity by 5.2% and water, sewer and phone by 3% each.

### **Pupil Transportation**

Pupil transportation costs are assumed to increase 4.2%. We will continue to monitor the fuel escalator.

### **Other Non-Salary Objects**

All other budget categories are assumed to increase by 2.5%.

### **Salary Savings**

The salary savings account is budgeted at \$1 million.

### **General Fund Contingency**

The budgeted contingency is \$650,000.

### **Retiring Teachers**

It is assumed that 82 teachers will retire each year. The number of teachers and the savings are both based on the average of the previous five years. The cost of the resulting vacancies is based on Step 4 and Lane 4 of the salary schedule.

### **Insurance & Judgements**

Project a 5% increase on all non-employee insurances (ie general liability, worker's compensation, etc)

### **Open Enrollment**

Open enrollment expenses are assumed to increase at 10% annually while revenues are being estimated to remain the same.

### **Maintenance**

Maintenance revenue and expenditures reflect amounts authorized by taxpayers in the 2005 referendum.

### **Community Service Fund (80) Contingency**

The Community Service Fund (80) contingency of \$300,000 has been restored and assumes half of that amount will be absorbed each year by continuing expenses.

### **Community Service Fund (80) MSCR**

Community Service Fund (80) MSCR costs are expected to increase by 4%.

### **Debt Service Payoff**

The District will receive a payment from the City of Madison because a TIF district is being paid off. The District will pay off \$1,580,985.51 using some of the TIF revenue. Principal amounts in 2009-10 and beyond for these obligations will be prepaid, saving the District interest cost in those future years. These loans were selected for payoff based on the interest rate, the length of the loan remaining, full payoff capability and prepayment penalties. None of the loans selected for payoff has a prepayment penalty and all will be paid in full.