



## WEEKLY UPDATE TO THE BOARD OF EDUCATION

January 7, 2021

### A MESSAGE FROM SUPERINTENDENT CARLTON D. JENKINS

Dear Board Members,

This week, which marks our first week after Winter Break, has certainly been eventful. Yesterday, our nation witnessed an unprecedented assault on our democracy in Washington, D.C. The horrific events exemplified many of the nation's ongoing concerns about racial injustice and inequitable treatment from law enforcement. Last evening, I started receiving calls from several staff and individuals from across the country regarding the events. As such, I was troubled and found it difficult to sleep while considering the impact this would have on our students, staff and families today. Therefore, I started my day with a 7:30 a.m. meeting with principals and other staff to share in their disappointment and provide them words of encouragement about how we must support our students, colleagues and families during this time when our democracy is under attack. This afternoon, we sent a statement to district families and staff which will put the events into an educational context.

This week, MMSD has continued monitoring the instructional and social-emotional needs of our students and families as they continue to engage in virtual learning. Our dedicated staff continues to: provide innovative and rigorous instruction; work with private as well as public officials to expand internet access for our students; and distribute 50,000 nutritious meals each week at over 40 sites.

As our nation wrestles with the impact of new waves of the COVID-19 pandemic, as well as a new variant which may be more infectious than the current variants, our district continues to plan for the eventual reopening of all our schools for in-person learning. Our district leadership, building administrators and teacher union leadership have continued to collaboratively plan and prepare for reopening in a safe and responsible manner. In our meetings with community members as well as city, county and state officials, our staff continue to review metrics, refine plans, and gain insights from changing county, state and national guidance. In addition, we continue to find new avenues for soliciting the voices of our students, staff, families and community members as we engage in decision making. This collaborative approach will ultimately prove beneficial to ensuring a robust and safe learning environment.

Thanks for your continued support and partnership. We look forward to providing you with more updates on our district's progress next week.

Sincerely,

*Carlton*

Carlton D. Jenkins, Ph.D.

## PARTNERSHIPS AND GRANTS

- [Wisconsin Public Service Corporation Energy Innovation Grant](#)  
MMSD Building Services staff are writing a grant for up to \$100K to the Wisconsin Public Service Corporation's Energy Innovation Grant competition for funds to support MMSD's 2019 board resolution to meet 50% of all MMSD's operations energy needs with renewable energy by 2030, 75% by 2035, and 100% by 2040. If MMSD is selected for funding, grant resources will support development of a comprehensive energy plan to include evaluation of current energy use and sources for facilities and fleets, determination of the potential for generating energy locally, and creation of goals for energy savings and generation. If awarded, funds would be available spring 2021 - spring 2022.
  
- [UW Institute for Clinical and Translational Research Grant](#)  
A UW faculty member is writing a \$100K, one-year grant to the UW Institute for Clinical and Translational Research to work with 6-10 stakeholders (students, staff, family) per MMSD high school to identify and prioritize youth mental health outcomes and school capacity needs and refine an approach to optimize the capacity of public schools to promote youth mental health that is interconnected across families and community mental health providers. If awarded, funds would be available April 2021 - March 2022.

## BOARD OF EDUCATION QUESTIONS

- **Update on District Plans for High School Standardized Testing**  
Attached is an update in response to a board member request from the Secondary Team regarding PSAT testing.

## OTHER INFORMATION

- **COVID 19 funding approved**  
On December 27, President Trump signed the bill to allow for critical COVID 19 funding within which is additional support for public schools. It will likely be awhile before we hear from DPI about what this bill will specifically provide to MMSD and when the funding will actually become available. At this point, our

assumption is that the soonest the funding will be available (due to the process DPI used for the last round of distribution and plan approvals) will be for 2020 summer budget planning (i.e., summer semester planning) and perhaps some end-of-year rebalancing for costs that could go over budget, such as in the MSCR Cares childcare or the Food Service budget losses.

[Here](#) is a very good short summary from AASA if you didn't see it. It was better than any other summary I've seen so far.

➤ **S&P Credit Rating for 30 Year Bond: AA+**

We have completed our credit rating process for the facility referenda \$106M. Our credit rating is directly related to the interest rates we will receive. The better the interest rate, the more affordable the referendum becomes for our community. Affordability will matter as we move forward with difficult budget cycles and any consideration for future facility referendum in 2024 or beyond.

Attached is the final S&P Rating letter, which states we have received a “AA+” is an absolutely great credit rating. This is one notch higher than the District’s last long-term Moody’s rating “Aa1” in 2016. As a point of reference, below is the most recent data I have on WI school district credit ratings. Between Moody’s and S&P, only 17 school districts in the entire state are in the AA+/Aa1 category or higher. As the letter states, our great rating is due to our proactive budget approach that led to careful and deliberate decision making by the Board through the pandemic, and our strong fund balance.



Aaa	3
Aa1	10
Aa2	48
Aa3	44
A1	37
A2	8
A3	0
Baa1 and Below	1
<b>Total WI School Districts Ratings</b>	<b>151</b>



AAA	0
AA+	4
AA	32
AA-	65
A+	85
A	16
A-	0
BBB+ and Below	2
<b>Total WI School Districts Ratings</b>	<b>204</b>

➤ **MGE Partners with City of Madison and School District on Solar Project**  
*Ongoing partnerships between MGE, City and school district advance shared energy goals.*

Madison, Wis., Dec. 30, 2020—Madison Gas and Electric (MGE) today filed an application with the Public Service Commission of Wisconsin (PSCW) for approval of an agreement to partner with the City of Madison and the Madison

Metropolitan School District (MMSD) on an 8-megawatt (MW) solar array in Madison.

<https://www.mge.com/newsroom/news-releases/articles/mge-partners-with-city-of-madison-and-school-distr>

➤ **Virtual Community Events:**

All dates for community announcements are posted on the [Board Community Activities Calendar](#)

- The very first annual **Stand Up for Recovery Day - Wisconsin**, hosted by Wisconsin Voices for Recovery and the Wisconsin Recovers- Recovery Advocacy Project, will take place on **Wednesday, January 14**, from 9 a.m.-3 p.m. at the State Capitol. WI Voices Recovery is a statewide project with a goal of bringing people in recovery, their family members and supporters together. More info. on the event can be [found here](#).
- As of now, the 35th annual **2021 Dream Scholarship Ball**, hosted by Women In Focus, Inc., will take place on **January 16, 2021**, at 6 p.m. at the Monona Terrace and Convention Center. Women in Focus helps lift up and support students of color in Dane County, believing that college education is key to their future. The ball will be an enjoyable party to fund scholarships. More info. can be [found here](#)

## OUR UPCOMING BOARD CALENDAR

- Mon., Jan. 11, 8 a.m. Board Officers  
Virtual
- Mon., Jan. 11, 5 p.m. Special BOE Meeting—WORKSHOP  
Virtual
- Mon., Jan. 11, 5:30 p.m. Instruction Work Group  
Virtual
- Tues., Jan. 12, 4 p.m. Student Senate  
Virtual
- Wed., Jan. 13, 5:30 p.m. City Education Committee  
Virtual
- Sat., Jan. 16, 9 a.m. Board Retreat  
Virtual
- Mon., Jan. 18 Martin Luther King, Jr. Day  
MMSD holiday

- Tues., Jan. 19, 5 p.m. Operations Work Group  
Virtual
- **Week of January 18** **Board member briefings**
- Jan. 20-22 State Education Convention  
Virtual
- Mon., Jan. 25, 9 a.m. Board Officers  
Virtual
- Mon., Jan. 25, 5 p.m. Special BOE Meeting—WORKSHOP  
Virtual
- Mon., Jan. 25, 6 p.m. Regular BOE Meeting  
Virtual

## ITEMS ATTACHED FOR INFORMATION

1. Update on District Plans for National Testing
2. MMSD S&P Ratings Report

To: Members of the Board of Education  
From: Lisa Kvistad, Assistant Superintendent of Teaching and Learning  
Secondary Team  
Date: January 7, 2021  
Re: Response to Questions regarding PSAT Testing

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We have had ongoing discussions with our high school principals, and we have received a recommendation from our Lead Nurse about the administration of the PSAT. This test is optional, families pay for the PSAT and it is usually held in January. Therefore, we will not be offering this to students in January. We want to put the health and safety of both students and staff first. We know that high school students transmit the virus similarly to adults, so there is an increased risk of transmission than there is with younger children. With the higher risk of transmission there is a greater concern of spread to others.

We plan to send communication to our students and families letting them know of this cancellation. We will commit to monitoring the health metrics and if our numbers drastically change and we are able to meet our metrics, we will revisit this option.

ACT Information:

- State provides the funding for ACT+writing costs in March; no cost to the district.
- There is pending legislation to remove this testing requirement for 2020-21; there would be no “free” version of the test for students to take. It is unlikely that the state would offer vouchers if the test was cancelled.
- There are 3 opportunities to give the state ACT this year (with accommodation windows after each date):
  - Tuesday, March 9
  - Tuesday, March 23
  - Tuesday, April 13
- Cost of the full ACT+Writing on a national test date. In the event that the state cancels testing, we propose that MMSD cover the costs for students with free and reduced lunch status who seek out testing on their own.
  - \$70 standard fee
  - ACT, Inc provides fee waivers that cover the cost of standard registration fee.  
Required: waiver form completion and documentation
- Cost of full SAT+essay on a national test date:
  - \$68 standard fee
  - The College board provides fee waivers that cover the cost of standard registration fee. Required: waiver form completion and documentation

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## Summary:

# Madison Metropolitan School District, Wisconsin; General Obligation

### Primary Credit Analyst:

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## Summary:

# Madison Metropolitan School District, Wisconsin; General Obligation

### Credit Profile

US\$106.0 mil GO sch bldg & imp bnds ser 2021A due 03/01/2040

*Long Term Rating* AA+/Stable New

US\$12.03 mil taxable GO rfdg bnds ser 2021B due 03/01/2025

*Long Term Rating* AA+/Stable New

## Rating Action

S&P Global Ratings assigned its 'AA+' rating to Madison Metropolitan School District, Wis.' \$106 million series 2021A general obligation (GO) school building and improvement bonds and \$12 million series 2021B taxable GO refunding bonds. The outlook is stable.

The electorate approved the series 2021A bonds in November 2020 as part of a \$317 million referendum. Unlimited ad valorem property taxes secure both series 2021A and 2021B bonds.

Officials intend to use series 2021A bond proceeds to finance various capital improvements, and series 2021B proceeds to refund prior debt for savings.

### Credit overview

While the full scope of economic and financial challenges posed by the COVID-19 pandemic and related recessionary pressures are currently unknown, we think the district is well positioned to handle both due to conservative budgeting, a strong and diverse economy, and very strong reserves. However, if the state does not increase the per-pupil revenue limit for schools because of budgetary pressure and concerns over the taxpayers' ability to keep up with increased taxes, it could stress finances. We think that the district's participation in Wisconsin Retirement System (WRS), one of the nation's best-funded pension plans, provides budget stability and helps maintain balanced operations.

The stable outlook reflects S&P Global Ratings' expectation that management will likely take the necessary steps to maintain balanced operations and very strong reserves. Although our rating outlook timeframe is up to two years, our view of credit risks to the district center on the more immediate economic and budget effects during the next 12 months because of the pandemic.

The rating reflects our opinion of the district's creditworthiness, specifically its:

- Participation in the broad and diverse Madison metropolitan statistical area (MSA) economy;
- Very strong operating reserves;
- Expectations for only slowly decreasing enrollment after the pandemic, which should allow the district to maintain balanced operations under the state's per-pupil revenue limit;



- Moderate overall debt including additional debt plans; and
- Favorable pension position due to participation in the well-funded WRS;

### **Environmental, social, and governance factors**

The rating incorporates our view of health and safety risks posed by COVID-19, which we consider a social risk. Although the pandemic imposed additional costs and a small enrollment decline, it is not substantially affecting the district more than other districts around the country. We therefore think that the pandemic's social risk is consistent with the sector standard. We have also analyzed the district's environmental and governance risks relative to its economy, management, financial measures, and debt and liability profile and determined all are in line with our view of the sector standard.

## **Stable Outlook**

### **Downside scenario**

We could lower the rating if the district were unable to maintain balanced operations, causing reserves to materially decline to a level we no longer consider comparable with those of similar-rated peers.

### **Upside scenario**

Assuming no deterioration in other credit factors, we could raise the rating if key economic indicators and reserves were to improve to levels we consider commensurate with those of higher-rated peers.

## **Credit Opinion**

### **Diverse economy anchored by state government and the University of Wisconsin**

The district serves the City of Madison and several neighboring communities. Madison is the state capital and home to the University of Wisconsin's (UW) flagship campus.

The Madison MSA is a leading service-and-trade center with significant health care, technology, insurance, and services employment. Leading employers within and near the district include:

- Wisconsin state government (36,720 employees);
- UW (19,760);
- UW Health, including University Hospital and related clinics (16,390);
- EPIC Systems, a medical software company (9,600); and
- American Family Insurance (4,320).

Although we think UW's student population somewhat depresses district income, we view the university's presence as a stabilizing economic factor.

Equalized valuation (EV), including tax-incremental districts, grew by 32% to \$33.1 billion from 2016-2020. The property tax base is diverse with the 10 leading taxpayers accounting for only 3% of EV, including tax-incremental

districts.

### **Very strong finances, supported by voter-approved operating levies**

The district reports finances on a modified-accrual basis of accounting at fiscal year-end June 30. Property taxes generated 71% of general fund revenue in fiscal 2020 and state aid provided 22%. The total amount of property taxes and basic state aid is subject to a per-pupil revenue cap, which is updated every other year in the state's biennium budget. The state in October notifies the district of the amount of aid it will receive for the fiscal year and allows the district to levy taxes to fill the rest of the revenue limit.

Enrollment is therefore an important factor to the district's financial health. Enrollment for purposes of the per-pupil revenue limit is based on a three-year rolling average, which softens the effects of year-to-year student fluctuations. Enrollment had been stable in recent years, but fell 3% to 26,218 from school years 2019-2020 to 2020-2021 because of families choosing other educational options with the district moving to virtual learning because of the pandemic. Management expects it to bounce back from the pandemic, but then likely slowly decrease in tandem with the district's demographics. We do not think that slowly declining enrollment will materially affect the district's finances because of the three-year rolling average and the fact that the state tends to increase the per-pupil revenue limit each year.

General fund operations benefit from an electorate-approved levy increase in November 2016 that allows the district to levy \$24 million above the state's revenue limit, and a second electorate-approved levy increase in November 2020 that allows it to levy an additional \$6 million starting fiscal 2021 and \$14 million for fiscal 2022, \$23 million for fiscal 2023, and \$33 million for fiscal 2024 and subsequent years. Both levies are in perpetuity.

Officials conservatively structured the fiscal 2021 general fund budget with a \$5 million shortfall due to capital safety upgrades related to the pandemic. The budget reflects the anticipated receipt of \$8.8 million of federal and state pandemic aid. Management expects that the district will be on target with budgeted results by the end of the fiscal year.

The city of Madison holds and invests the district's cash. Management reports that the district does not have any direct-purchase obligations or bank loans which could pose contingent liquidity risk.

### **Good financial policies and practices under our Financial Management Assessment (FMA) methodology**

We consider the district's financial management practices good under our FMA methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Policy and practice highlights are:

- Internal enrollment projections looking ahead five years, supplemented by long-range reports from an outside demographer every few years;
- Use of five years of historical data and input from the state to help with budgeted revenue and expenditures;
- Quarterly budget-to-actual reports provided to the school board;
- Five-year financial projections using a third-party model, updated annually and shared with the board;

- Capital planning enhanced by a long-range facilities plan and an annually updated capital maintenance plan;
- Use of statutory investment guidelines in the absence of a board-approved investment policy;
- Monthly investment reports to management from the city;
- Use of statutory debt limitations in the absence of a board-approved debt management policy;
- Board-approved policy to maintain the general fund balance at 10% to 15% of expenditures to cover cash-flow needs and contingencies.

### Moderate debt burden including major additional debt plans

The district has about \$153 million of GO debt outstanding, including the series 2021A and 2021B GO bonds. Our assessment of a moderate debt burden includes the district's plans to issue another \$106 million of referendum bonds in 2022, and the remaining \$105 million in 2023.

### Pension and other postemployment benefits (OPEBs)

- The district has a well-funded pension system with low pension and OPEB carrying charges.
- The district's pension and OPEB costs are modest as a share of total spending; they are not likely to accelerate significantly during the next few fiscal years, especially due to the pension plan's strong funding.

The district participates in:

- The WRS, which was 103% funded at Dec. 31, 2019, with the district's proportionate share of the plan's net pension asset at \$47.5 million
- A single-employer, defined-benefit supplemental pension plan for eligible retirees, which was 0% funded with a net pension asset/liability of \$35.8 million as of June 30, 2019
- A single-employer, defined-benefit, health care OPEB plan, which was 0% funded at June 30, 2020, with a net OPEB liability of \$26.3 million

The combined pension and health care OPEB contribution was \$19.75 million, or 3.5% of governmental fund expenditures in fiscal 2020. WRS contributions are actuarially based, and the district funds 100% of its required contribution annually. WRS' investment rate of return assumption is 7%. While the revised return assumption exceeds our 6% guideline, WRS' use of a shared-risk model--where changes in active employee contributions and adjustments in benefit payments somewhat offset investment performance fluctuations--and its high funding mitigate market volatility exposure. Because of these features, we expect contributions will likely remain relatively stable. Due to WRS' strong funding and contribution practices, we expect contributions will likely remain affordable.

## Madison Metropolitan School District, WI -- Financial And Operating Statistics

	Characterization	Most recent	Historical information		
		2021	2020	2019	2018
<b>Economic indicators</b>					
Population				262,269	260,314
Median household EBI % of U.S.	Good			98	95
Per capita EBI % of U.S.	Strong			112	110

**Madison Metropolitan School District, WI -- Financial And Operating Statistics (cont.)**

	Characterization	Most recent	Historical information		
		2021	2020	2019	2018
MV per capita (\$)	Extremely strong	126,314	118,477	110,181	103,935
Top 10 taxpayers as % of EV (including tax incremental districts)	Very diverse	3.2			
<b>Financial indicators</b>					
Total adjusted available fund balance (\$000)			66,609	60,416	51,075
Total adjusted available fund balance as % of operating expenditures	Very strong		16.0	14.9	16.4
Governmental funds cash as % of governmental fund expenditures			23.1	24.5	26.2
General fund operating result as % of general fund operating expenditures			2.17	2.10	1.58
FMA	Good				
Enrollment		26,218	27,034	27,070	27,152
<b>Debt and long-term liabilities</b>					
Overall net debt as % of MV (including future debt)	Low	3.6			
DS as % of governmental funds expenditures	Low		3.2	3.2	3.2
Required pension contribution (\$000)			18,831	19,122	18,563
OPEB health care contribution (\$000)			920	850	703
Required pension plus OPEB contribution as % of governmental fund expenditures			3.5	3.6	4.0

EBI--Effective buying income. MV--Market value. EV--Equalized valuation. FMA--Financial Management Assessment. DS--Debt service. OPEB--Other postemployment benefits.

## Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- Staying Home For The Holidays, Dec. 2, 2020

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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