



# 2024-2025 Preliminary Budget (06-11-2024)

## I. Assumptions for the Preliminary Budget

The preliminary budget establishes the intent of the district regarding programs and services for the ensuing year and is used as the basis for receiving public comment at the Budget Hearing and for approval of an initial estimated tax levy at the Annual Meeting.

To develop the preliminary budget several estimates must be made, some of which will materially change between the time of the estimate and when the original budget is adopted in October, such as general state aid, property tax levy, impact of actual enrollment, staffing changes, and others. The following assumptions were used for the proposed preliminary budget and reflect changes compared to the 23-24 revised budget:

### REVENUE

- Top 5 sources of operating revenue:
  - The property tax levy for the general fund will increase by \$364,940 to \$20,703,914.
  - General state aid will remain static at \$5,683,851.
  - Open enrollment revenue will increase by \$241,304 to \$2,326,860.

- Per pupil aid will decrease by \$20,034 to \$1,242,850.
- Categorical aid will decrease by \$123,087 to \$1,000,000.
- Total property tax levy:
  - Across all funds, the total tax levy will increase by \$1,037,052. In addition to the increase in the general fund levy, this increase reflects the reinstatement of the levies for Fund 80 and Fund 41, which were decreased in FY24 to balance the levy impact of the loss of state aid that was caused by a DPI/MPS error.
- Overall, general fund revenue is expected to decrease by \$418,238 compared to FY24 (fiscal year 2024). This decrease is largely driven by the loss of ESSER revenue, a 56% reduction in title one funding (\$112,000), and a one-time insurance reimbursement. These are offset by the increases in property tax and open enrollment revenue.

## **EXPENSES**

- Salaries and Benefits:
  - Wages were increased by an average of 4.6%, in line with the salary schedules which provide for an accelerated increase in pay as staff move up the schedule. The net additional salary investment projected by the District is \$567,839 which reflects both increases and changes in staffing.
  - Benefit expenses are expected to increase by \$492,715, 96% of which is driven by the increased cost of medical insurance paid by the District.
- Purchased Services:
  - Expenses for purchased services remained largely static, after adjusting for one-time repairs related to building damage completed in FY24.
- Materials and Equipment
  - Materials expense is projected to increase by \$186,422. Approximately half of this expense is related to the adoption of a new english and language arts curriculum for Kindergarten through 8th grade. 17% is accounted for by a projected increase in library and media center materials, which are funded by a grant. An array of other miscellaneous expenses account for the remainder.
- Capital Maintenance
  - As laid out in the long-term capital improvement plan presented in April 2024, the 2024-2025 budget includes \$887,740 in capital maintenance expenditures. These include:
    - \$20,000 for maintenance of athletic fields
    - \$467,740 for roof repair and replacement
    - \$230,000 for building systems and infrastructure, including installation of a new District-wide access control system and phased replacement of the SIS elevator
    - \$40,000 for repairs to community maintenance facilities
    - \$40,000 for concrete and exterior hardscape

- \$50,000 for interior finishes, including misc high need items to be identified throughout the school year
- \$40,000 for technology infrastructure, including fiber optic cable for the elementary schools
- Also included in the budget is an allowance of \$170,000 (\$120,000 in the general fund and \$50,000 in the food service fund) to replace two district vehicles (dump truck and food delivery van) that have exceeded their life expectancy.

The District's top five highest projected expenditures in the general fund (Fund 10), excluding salaries and benefits, special education transfer, and items that are exempt from the revenue limit are:

- Substitute teachers and aides (\$500,000)
- Open enrollment tuition payments for students enrolled in other Districts (\$328,960)
- Electricity (\$250,000)
- Textbooks and Workbooks (\$167,700)
- Property insurance (\$162,853)

## **II. General Operations, Fund Balance**

The District maintains a fund balance as a safety net for unexpected events and has set a goal of increasing its fund balance over the next five years. The FY25 budget projects a year-end fund balance of \$9,615,434. This represents a much stronger financial position at 28% of the projected 2024-25 expenses for funds 10 and 27 than the District has experienced in previous years. With passage of the \$5.5M annual operating referendum, the District anticipated significant growth in fund balance in the first year (2023-24), followed by decreasing gains in the subsequent four years. The District anticipates careful management of the fund balance to ensure that it is maintained and used for non-recurring expenses, to reduce the need for operational debt, and to fuel program choices that help maintain a strong financial position.

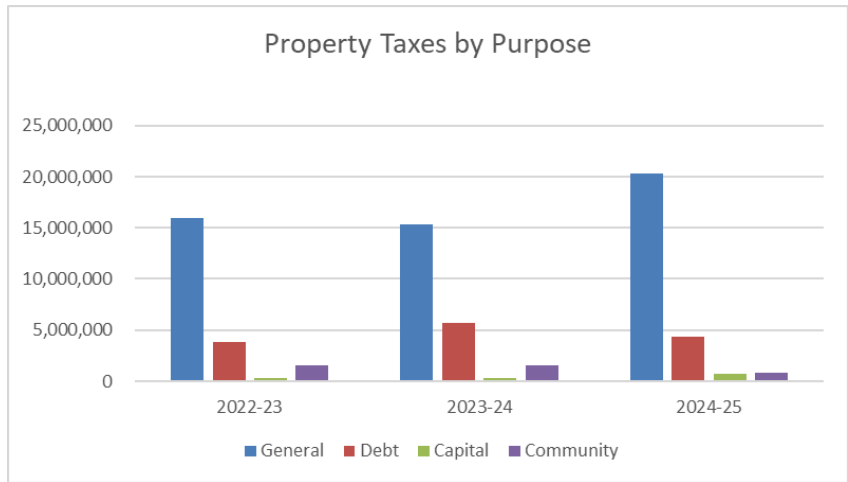
## **III. Property Tax Levy**

The budget anticipates a property tax increase of \$1,034,052 (4%) over the total current year levy. The increase is driven by the voter-approved operational referendum which provided for an increase to the revenue limit for purposes of operations and maintenance.

The equalized value amount for the Village of Shorewood is, for projection purposes, assumed at \$2.283 million. This represents an increase of 7.5%, which is an estimate based on previous year over year change. The chart below depicts the tax levy and the impact on the mill rate over time.

10 Year Tax Levy and Mill Rate History					
Fiscal Year		Tax Levy	Increase (Decrease)	Change	Equalized Mill Rate
2015-16	Actual	19,679,974			
2016-17	Actual	20,105,480	425,506	2.2%	13.88
2017-18	Actual	20,816,294	710,814	3.5%	13.88
2018-19	Actual	21,659,543	843,249	4.1%	13.88
2019-20	Actual	22,405,811	746,268	3.4%	14.07
2020-21	Actual	22,284,348	(121,463)	-0.5%	14.13
2021-22	Actual	21,665,147	(619,201)	-2.8%	13.40
2022-23	Actual	22,869,257	1,204,110	5.6%	11.84
2023-24	Actual	26,224,272	3,355,015	14.7%	12.35
2024-25	Proposed	27,261,324	1,037,052	4.0%	11.94

The tax levy supports educational and support programs (general operations), repayment of debt, capital projects and community services. Taxes for other than general operations are restricted to the specific purpose for which they are levied. As shown in the chart below, the levy is primarily for general operations.



#### IV. State Aid

The State of Wisconsin shares in the costs of education based on three methods of revenue distribution. General Aid is direct property tax relief distributed to school districts in accordance with multiple formulae. Per Pupil Adjustment Aid is classified as a general-purpose aid and is used for operation and maintenance of school programs. Categorical Aid is based on performance of specific tasks or providing specific programs and is restricted to the specific purpose for which it is intended.

State Aid by Category					
Fiscal Year	General Aid	Per Pupil Aid	Categorical Aid	Total State Aid	Increase (Decrease)
2011-12	3,633,592	0	808,602	4,442,194	
2012-13	4,870,290	82,800	818,009	5,771,099	1,328,905
2013-14	5,143,964	126,225	815,378	6,085,567	314,468
2014-15	5,039,363	256,200	919,545	6,215,108	129,541
2015-16	5,367,323	268,650	951,145	6,587,118	372,010
2016-17	5,641,758	458,250	963,561	7,063,569	476,451
2017-18	6,131,376	840,150	1,041,050	8,012,576	949,007
2018-19	5,824,659	1,226,250	1,403,679	8,454,588	442,012
2019-20	5,390,317	1,386,056	1,129,249	7,905,622	(548,966)
2020-21	6,396,264	1,348,956	1,136,122	8,881,342	975,720
2021-22	6,340,962	1,314,824	1,169,809	8,825,595	(55,747)
2022-23	6,657,039	1,276,240	1,220,491	9,153,770	328,175
2023-24	5,682,048	1,262,884	1,263,509	8,208,441	(945,329)
2024-25	5,683,357	1,242,850	1,244,180	8,170,387	(38,054)

The table above shows the amount of aid received in each of the three classifications since the 2011-12 school year. Per pupil aid is projected to remain relatively stable for next year, while general and categorical aid are projected to decrease slightly.

## V. Other Budget Information

### Revenue Limits

The State of Wisconsin limits the amount of revenue public schools generate through the combination of state general aid and the property tax levy. This limitation is referred to as “Revenue Limits”. The proposed budget includes \$5.5M in additional allowed revenue limit in addition to a \$325 per student increase, which was included in the biennial state budget. Altogether, after adjusting for other revenue limit changes, the FY25 revenue limit is expected to increase by \$314,784 compared to FY24.

### Student Membership and Enrollment

Student membership refers to the number of students that the District counts for the purpose of calculating the revenue limit, which includes all full time, resident students who attend Shorewood schools as well as Shorewood residents who attend other public-school districts in Wisconsin through the open enrollment option. The District also counts part time students, such as K4 and summer school, although they do not each count as a full-time student.

Membership used in the revenue limit formula for 2024-25 is 1,675, a decline from the prior year of 27 students. The formula uses a rolling 3-year average to smooth

out the financial impact of a material change, such as experienced here. The table at the end of this section reports the 3-year average.

Enrollment is the number of students that are educated in a District school and may include students from other school districts. Enrollment is important in determining the resources needed, such as space, instructional materials, and number of staff. Whereas membership determines revenue, enrollment determines costs.

School funding formulae reallocate funds from one district to another for the number of non-resident students in each school district. Therefore, for budget purposes, the District must monitor both membership and enrollment. The table below shows the 3-year rolling average membership has been declining since 2018-2019. Total enrollment has been buffered by open enrollment.

<b>10 Year Membership and Enrollment History</b>					
<b>Year</b>	<b>Revenue Limit Members *</b>	<b>Member Change</b>	<b>Enroll</b>	<b>Enroll Change</b>	<b>Enroll Over (Under) Members</b>
2015-16	1,771		2,026		255
2016-17	1,832	61	2,042	16	210
2017-18	1,867	35	2,020	(22)	153
2018-19	1,878	11	1,930	(90)	52
2019-20	1,868	(10)	1,942	12	74
2020-21	1,818	(50)	1,889	(53)	71
2021-22	1,774	(44)	1,915	26	141
2022-23	1,719	(55)	1,933	18	214
2023-24	1,702	(17)	1,927	(6)	225
2024-25	1,675	(27)	1,928	1	253

\* Rolling 3-year average membership

### **Energy Efficiency Exemption**

The Board of Education approved upgrades to electrical, heating, ventilating, air conditioning and lighting systems under a provision of state law that allows the repayment of the debt for these upgrades to be exempt from the revenue limit. The following report provides information on utility cost savings because of this project, through the last reporting date of November 30, 2023.

<b>ENERGY EFFICIENCY EXEMPTION</b>			
<b>§ 121.91 (4) (o) Revenue Limit Exemption for Energy Efficiencies-Evaluation of the Energy Performance Indicator</b>			
Name of Qualified Contractor	Honeywell ESG		
Performance Contract Length (years)			15
Total Project Cost (including financing)			\$6,014,876
Total Project Payback Period			40
Years of Debt Payments			15
Remaining Useful Life of the Facility			50
Prior Year Resolution Expense Amount	Fiscal Year	2022-2023	\$586,285
Prior Year Related Expense Amount or CY debt levy	Fiscal Year	2022-2023	\$600,068
Utility Savings applied in Prior Year to Debt	Fiscal Year	2022-2023	\$159,474
Sum of reported Utility Savings to be applied to Debt			\$ 259,046
<b>Savings Reported for 2023</b>			
<b>Specific Energy Efficiency Measure or Products</b>	<b>Project Cost Including Financing</b>	<b>Utility Cost Savings</b>	<b>Non-Utility Cost Savings</b>
Annual KWh electric savings		\$ 162,302	
Annual MMBtu gas savings		\$ 80,162	
Annual CCF water savings		\$ 16,582	
<b>Entire Energy Efficiency Project Totals</b>	<b>\$ 6,014,879</b>	<b>\$ 259,046</b>	<b>\$ 22,174</b>

## Outstanding Long-term Debt

The amount of long-term debt that a school district is permitted to issue is limited to 10% of equalized value. The following tables report debts for which there is a balance outstanding and the calculation of the margin of indebtedness. Credit rating firms consider the margin as one of the factors in assigning a credit rating to the District. Shorewood outstanding debt is 3%, well below the allowable amount.

<b>Outstanding Long-term Debt</b>					
Type	Original Amount	Issue Date	Interest Rates	Date of Maturity	Balance as of 6/30/24
Taxable G. O. Refunding Bonds	5,055,000	4/1/2015		4/1/2035	\$ 2,850,000
G. O. School Improvement Bonds	40,000,000	7/1/2019		4/1/2039	\$ 29,850,000
G. O. School Improvement Bonds	3,875,000	7/6/21		10/01/2028	\$ 2,765,000
Bond Anticipation Notes	25,000,000	7/6/2021		6/12/2023	\$ -
General Obligation Refunding Bond	22,110,000	5/30/2023			\$ 22,110,000
					<b>\$ 57,575,000</b>
<b>Debt Margin 6/30/2024</b>					
Equalized value	2,282,987,916				
Allowable debt margining	10%				
Allowable debt	228,298,792				
Outstanding long-term debt	57,575,000				
<b>Margin of indebtedness</b>	<b>170,723,792</b>				
	<b>2.5%</b>				

## VI. Budget Publication

The DPI has established standard formatting for the publication of budgets

and a recommended format for approval by the Board of Education. The required publication standard will be followed when the original budget is published in the local newspaper. The recommended budget adoption format is attached as “FY25 Proposed Preliminary Budget.”

Budgets are estimates based on information available at the time of development and will change as additional facts and circumstances necessitate. Interpretation of budgets without an understanding of the programs and activities operated by the District and the federal and state rules and regulations can lead to erroneous conclusions.

For more information about this budget or the school district in general please refer to our web site, <https://www.shorewood.k12.wi.us/>.

Attachment: FY25 Preliminary Budget