



# 2025-2026 Preliminary Budget (06-10-2025)

## **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 preliminary budget and reflect changes compared to the 24-25 original budget:

### **REVENUE**

- Top 5 sources of operating revenue:
  - The property tax levy for the general fund will increase by \$2,165,725 to \$20,553,836.
    - This reflects an assumption that the distribution of state aid will return to the typical level, prior to the adjustment made in 24-25 which increases property tax revenue and decreases state aid..
  - General state aid will decrease by \$2,198,091 to \$5,722,732.
  - Open enrollment revenue will increase by \$2,934 to \$2,097,108.
  - Per pupil aid will decrease by \$10,3888 to \$1,237,656.

- Investment earnings will decrease by \$25,000 to \$300,000.
- Overall Revenue:
  - Across operating funds (F10/F27), revenue is expected to stay static with a decrease of \$131.31.
- Total property tax levy:
  - Across all funds, the total tax levy will increase by \$2,103,225 to \$27,548,746.

## EXPENSES

- Salaries and Benefits:
  - Wages were increased by an average of 2.95%, 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 \$282,003 which reflects both increases and changes in staffing.
  - While benefits expenses incurred are increasing, compared to the 24-25 budget, benefit expenses are expected to decrease by \$172,929. The District budgeted conservatively in 24-25 due to unknowns in the uptake of certain new benefit provisions. Saved funds will be earmarked for future health care expenses.
- Purchased Services:
  - Expenses for purchased services are expected to increase by \$133,125. This increase is primarily driven by the shift to outsourced custodial services, for which there is a corresponding savings in salary expense that is reflected in the net change in wages noted above.
- Materials and Equipment
  - Materials expense is projected to decrease by \$52,812. Materials expenses were higher than typical in 24-25 due to adoption of the new english and language arts curriculum, which required an upfront investment.
- Capital Maintenance
  - As laid out in the long-term capital improvement plan presented on 4/8/2025, the 2025-2026 budget includes \$1,348,640 in capital maintenance expenditures. These include:
    - \$45,000 for athletic field maintenance;
    - \$75,000 for tuckpointing throughout the District;
    - \$393,640 for partial replacement of the Atwater roof;
    - \$45,000 for continuation of the phased replacement of the SIS elevator;
    - \$250,000 for replacement of the VHE pool roof;
    - \$10,000 for VHE plumbing repairs;
    - \$75,000 for stormwater management;
    - \$25,000 for concrete repairs;
    - \$275,000 for replacement of the SIS chiller;
    - \$10,000 for HVAC control replacements;

- \$45,000 for carpet replacement;
- \$50,000 for replacement of certain technology infrastructure;
- \$50,000 for miscellaneous high need items
- Also included in the budget is an allowance of \$140,643 for the replacement of two vehicles over the next two years (one in FY26) and a set aside for future anticipated vehicle replacements.

The District's top five highest projected operating expenditures (Funds 10/27), excluding salaries and benefits, inter-fund transfers, 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 (\$313,670)
- Property insurance (\$273,264)
- Electricity (\$235,000)
- Outsourced custodial services (\$175,000)

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

The District maintains a fund balance to support financial stability and long-term planning. This balance serves multiple purposes: it provides working capital to manage cash flow during the first seven months of the fiscal year, serves as a reserve for contingencies and emergencies, and includes set-asides for anticipated future needs. In 2022, strengthening the fund balance was established as a District goal as part of the operational referendum. The FY26 budget projects a year-end fund balance of \$14,665,373, prior to allocations. As part of the FY25 year-end closeout, the District plans to designate this balance by purpose, with the majority designated for working capital. During the first half of FY25, the District's expenditures exceeded revenues by \$10 million, highlighting the importance of maintaining adequate liquidity. The remaining fund balance will be allocated to contingency reserves, emergency funding, health care, retirement obligations, and vehicle replacement.

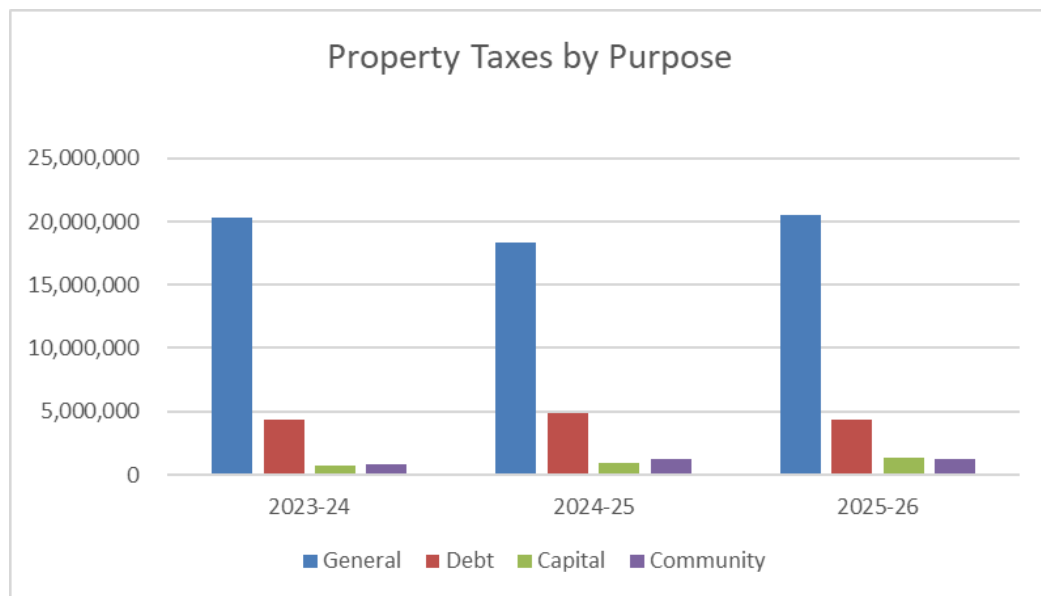
## **III. Property Tax Levy**

The budget anticipates a property tax increase of \$2,103,225 (8.3%) over the total current year levy. The increase is driven by the assumption that state aid, which increased significantly this year due to retroactive changes necessitated by late changes in statewide allocations, will return to a level similar to that received in fiscal year 2024.

The equalized value amount for the Village of Shorewood is, for projection purposes, assumed to remain static at \$2.260 million. Once the new valuation is released, along with estimated and final state aid numbers, the District will update our property tax assessment and the chart below.

| 10 Year Tax Levy and Mill Rate History |          |            |                     |        |                     |
|----------------------------------------|----------|------------|---------------------|--------|---------------------|
| Fiscal Year                            |          | Tax Levy   | Increase (Decrease) | Change | Equalized Mill Rate |
| 2016-17                                | Actual   | 20,105,480 |                     |        |                     |
| 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                                | Actual   | 25,445,521 | (778,751)           | -3.0%  | 11.26               |
| 2025-26                                | Proposed | 27,548,746 | 2,103,225           | 8.3%   | 12.19               |

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               | 5,684,048   | 1,262,884     | 1,327,955       | 8,274,887       | (878,883)           |
| 2024-25               | 8,060,017   | 1,248,044     | 1,483,104       | 10,791,165      | 2,516,278           |
| 2025-26               | 5,735,103   | 1,237,656     | 1,439,105       | 8,411,864       | (2,379,301)         |

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

## 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 budget includes a \$325 per student increase, which was included in the biennial state budget. Altogether, after adjusting for other revenue limit changes, the FY26 revenue limit is expected to increase by \$278,415 compared to FY25.

### 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 2025-26 is 1,666, a 16 student decline from the prior year. 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> |
| 2016-17                                          | 1,832                          |                      | 2,042         |                      | 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                                          | 1,682                          | (20)                 | 1,917         | (10)                 | 235                                |
| 2025-26                                          | 1,666                          | (16)                 | 1,882         | (35)                 | 216                                |

\* 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, 2024.

| ENERGY EFFICIENCY EXEMPTION                                                                                      |                                  |                      |                          |
|------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|--------------------------|
| § 121.91 (4) (o) Revenue Limit Exemption for Energy Efficiencies-Evaluation of the Energy Performance Indicators |                                  |                      |                          |
| 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                      | 2023-2024            | \$601,275                |
| Prior Year Related Expense Amount or CY debt levy                                                                | Fiscal Year                      | 2022-2023            | \$604,100                |
| Utility Savings applied in Prior Year to Debt                                                                    | Fiscal Year                      | 2022-2023            | \$159,474                |
| Sum of reported Utility Savings to be applied to Debt                                                            |                                  |                      | \$ 222,019               |
| Savings Reported for 2023                                                                                        |                                  |                      |                          |
| Specific Energy Efficiency Measure or Products                                                                   | Project Cost Including Financing | Utility Cost Savings | Non-Utility Cost Savings |
| Annual KWh electric savings                                                                                      |                                  | \$ 125,275           |                          |
| Annual MMBtu gas savings                                                                                         |                                  | \$ 80,162            |                          |
| Annual CCF water savings                                                                                         |                                  | \$ 16,582            |                          |
| Entire Energy Efficiency Project Totals                                                                          | \$ 6,014,879                     | \$ 222,019           | \$ 22,174                |

## 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 2.4%, well below the allowable amount.

| Outstanding Long-term Debt        |                 |            |                |                  |                       |
|-----------------------------------|-----------------|------------|----------------|------------------|-----------------------|
| Type                              | Original Amount | Issue Date | Interest Rates | Date of Maturity | Balance as of 6/30/25 |
| Taxable G. O. Refunding Bonds     | 5,055,000       | 4/1/2015   |                | 4/1/2035         | \$ 2,605,000          |
| G. O. School Improvement Bonds    | 40,000,000      | 7/1/2019   |                | 4/1/2039         | \$ 28,300,000         |
| G. O. School Improvement Bonds    | 3,875,000       | 7/6/21     |                | 10/01/2028       | \$ 2,200,000          |
| 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>\$ 55,215,000</b>  |
| Debt Margin 6/30/2024             |                 |            |                |                  |                       |
| Equalized value                   | 2,260,436,059   |            |                |                  |                       |
| Allowable debt maring             | 10%             |            |                |                  |                       |
| Allowable debt                    | 226,043,606     |            |                |                  |                       |
| Outstanding long-term debt        | 55,215,000      |            |                |                  |                       |
| Margin of indebttness             | 170,828,606     |            |                |                  |                       |
|                                   | 2.4%            |            |                |                  |                       |

## 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 “FY26 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: FY26 Preliminary Budget