



BUSINESS SERVICES DEPARTMENT

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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
REVENUE							
Local Sources	\$221,121,169	\$224,441,603	1.50%	\$218,611,602	-2.60%	\$215,206,352	-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%
TOTAL REVENUE	\$306,133,735	\$309,582,305	1.13%	\$313,328,368	1.21%	\$324,368,108	3.52%
EXPENDITURES							
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%
TOTAL EXPENDITURES	\$306,133,735	\$317,694,131	3.78%	\$325,809,101	2.55%	\$341,110,842	4.70%
EXCESS (DEFICIT) REVENUE OVER EXPENDITURES							
	\$0	(\$8,111,826)		(\$12,480,733)		(\$16,742,734)	
Excess (Deficit) Over Previous Fiscal Year							
		(\$8,111,826)		(\$4,368,907)		(\$4,262,001)	
BEGINNING FUND BALANCE							
	\$21,638,299	\$21,638,299	0.00%	\$13,526,474	-37.49%	\$1,045,740	-92.27%
PROJECTED YEAR-END FUND BALANCE							
	\$21,638,299	\$13,526,474	-37.49%	\$1,045,740	-92.3%	(\$15,696,994)	-1601%
FUND BALANCE AS % OF EXPENDITURES							
	7.07%	4.26%		0.32%		-4.60%	
FUND BALANCE AS A # OF MONTHS OF EXPENDITURES							
	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

	Actual					Budget	Projections		
	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012
Tax Levy									
Fund 10 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
Fund 10 Property Tax Charge Back Levy	\$138,228	\$70,818	\$122,301	\$120,707	\$195,010	\$208,468	\$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
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
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	\$7,040,075	\$7,261,532	\$7,175,794	\$7,108,081	\$4,780,775
Percent Change		6.43%	-2.14%	-18.92%	62.75%	3.15%	-1.18%	-0.94%	-32.74%
Fund 41 Capital Expansion Fund									
Percent Change									
Fund 80 Community Service Fund	\$7,396,009	\$8,228,829	\$8,587,841	\$9,930,331	\$11,520,780	\$12,482,833	\$12,982,146	\$13,501,432	\$14,041,489
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	\$209,206,079	\$220,290,484	\$225,624,461	\$234,140,519	\$228,666,193	\$223,379,470
Percent Change		3.16%	-1.03%	4.41%	5.30%	2.42%	3.77%	-2.34%	-2.31%

Equalized Valuation

TIF-Out Tax Apportionment Equalized Valuation

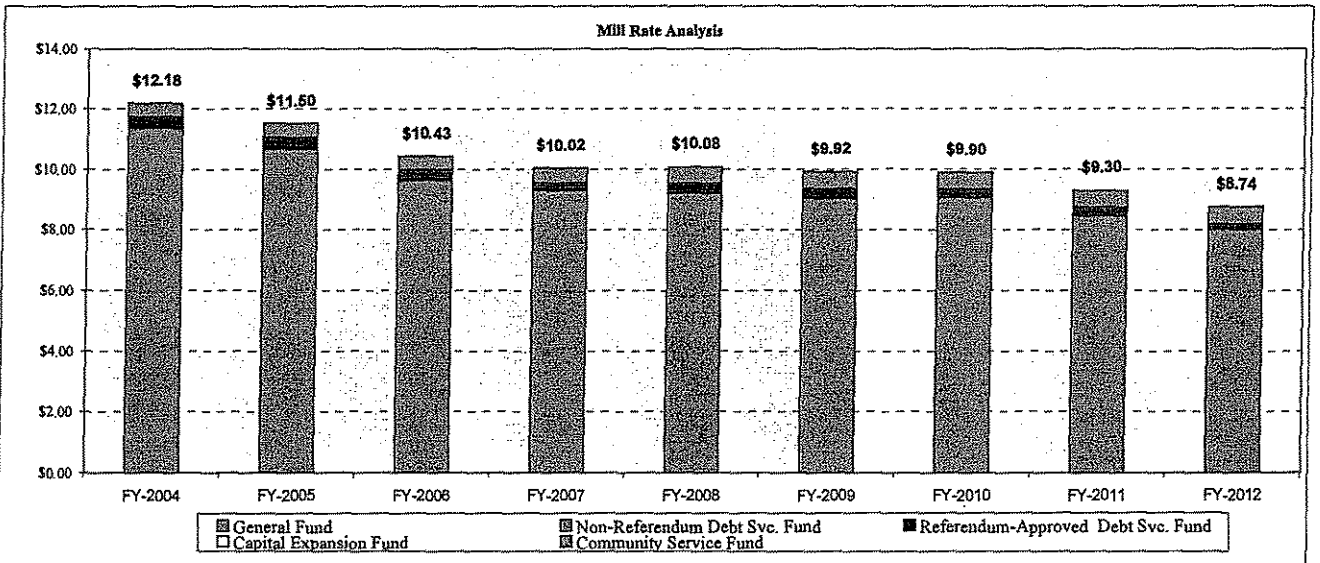
Percent Change

\$16,111,328,273	\$17,600,737,346	\$19,212,707,885	\$20,882,231,258	\$21,858,743,192	\$22,733,092,920	\$23,642,416,636	\$24,588,113,302	\$25,571,637,834
	9.24%	9.16%	8.69%	4.68%	4.00%	4.00%	4.00%	4.00%

Mill 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
 Mill Rate Total
 Percent Change

\$11.35	\$10.67	\$9.65	\$9.29	\$9.21	\$9.02	\$9.05	\$8.46	\$8.00
\$0.06	\$0.06	\$0.05	\$0.05	\$0.01	\$0.03			
\$0.32	\$0.31	\$0.28	\$0.21	\$0.32	\$0.32	\$0.30	\$0.29	\$0.19
\$0.46	\$0.47	\$0.45	\$0.48	\$0.53	\$0.55	\$0.55	\$0.55	\$0.55
\$12.18	\$11.50	\$10.43	\$10.02	\$10.08	\$9.92	\$9.90	\$9.30	\$8.74
	-5.58%	-9.30%	-3.93%	0.60%	-1.59%	-0.20%	-6.06%	-6.02%



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.