



April 12, 2012

**Appendix NNN-10-9
April 30, 2012**

TO: Board of Education
FROM: Daniel A. Nerad, Superintendent
RE: District Debt

I. Introduction

A. Title/topic – School District Debt

B. Presenter/contact person –
Erik Kass – Assistant Superintendent of Business Services

C. Background information –

At the Board of Education meeting on March 26, 2012 the Board approved a resolution for the approval of \$15 million in Qualified Zone Academy Bonds (QZAB) allocated through the State of Wisconsin. This resolution will allow administration to move forward with an application to the State Department of Public Instruction for an allocation of QZAB funding.

The focus of these funds is intended to complete projects within facilities that can't be done on an annual basis due to minimal resources within the Maintenance Budget. These funds borrowed at 0% interest, are intended to be repaid through future opportunities within the MMSD budget that will not require the reduction of programs or increase of the property tax levy.

At this same meeting, concerns were raised by the Board of Education about how much debt MMSD currently has outstanding, and what an appropriate amount should be. Administration was tasked with providing information relevant to this basic question through the Operational Support Committee meeting.

D. BOE action requested – None at this time.

II. Summary of Current Information

A. Provide summary –

MMSD currently has \$63,760,000 in outstanding debt with a combination of referendum approved debt and non-referendum approved debt. The major pieces of this total debt structure come from the following areas:

1. Referendum approved debt for Leopold addition, Chavez Elementary School, and Leopold Elementary School - \$34,665,000

2. Non-Referendum debt for the re-financing of the School Districts Wisconsin Retirement System unfunded pension liability - \$17,355,000
3. The remaining amounts are small QZAB and other issues that have been completed over time

The important component of this information, is to realize that MMSD prior to re-financing for lower interest rates, had debt service for the unfunded pension liability all along with an interest rate of 7.8%. It wasn't transparent as it was simply paid on an annual basis, but to recognize lower interest rates, we chose to issue bonds that will save the district over \$13 million in interest costs.

There are a few ways to look at what the appropriate level of debt is for a school district, and we have attempted to put information together relative to each differing way. The ways are:

1. The amount of debt allowed to be outstanding as stated in the Wisconsin Constitution, Article XI, Section 3.(2)(b)

The Wisconsin Constitution allows for a school district to have outstanding debt equal to 10% of the school districts equalized value, also known as the property tax base. For MMSD the chart in Appendix A is meant to show the current amount outstanding, in relation to the amount allowed by State Statute.

This chart shows that as of December 31, 2011 MMSD has \$63,760,000 in outstanding debt, with a total allowable per Wisconsin Constitution of \$2,270,906,368.

Using this methodology, MMSD is currently utilizing only 2.81% of their allowable debt limits and this is a factor in the the ongoing AAA rating we experience on an annual basis from rating agencies.

2. How MMSD compares to Dane County Districts and other large Wisconsin Districts.

We have put together Appendix B to outline and show how our district currently compares to other districts throughout the State of Wisconsin. Out of the 14 districts we compared ourselves to, we have the 4th highest total amount of debt outstanding. Looking further at the data, and understanding there is a size component to how we compare to other districts, we currently rank 2nd lowest for debt to total property wealth and 2nd lowest for allowable debt outstanding per the Wisconsin Constitution.

B. Recommendations and/or alternative recommendation(s) –

This information is being presented in two separate ways to outline the fact that there isn't one standard for looking at an appropriate debt level. The Wisconsin State Constitution affords for a specific maximum of outstanding debt, and we are currently 97.19% below that prescribed amount. The other analysis of comparison to other districts in our area and of similar size shows that our debt to value ratio is extremely low, which leads administration to believe we are currently well positioned for continuing manageable debt levies going forward.

III. Implications

A. Budget – None

B. Strategic Plan – N/A

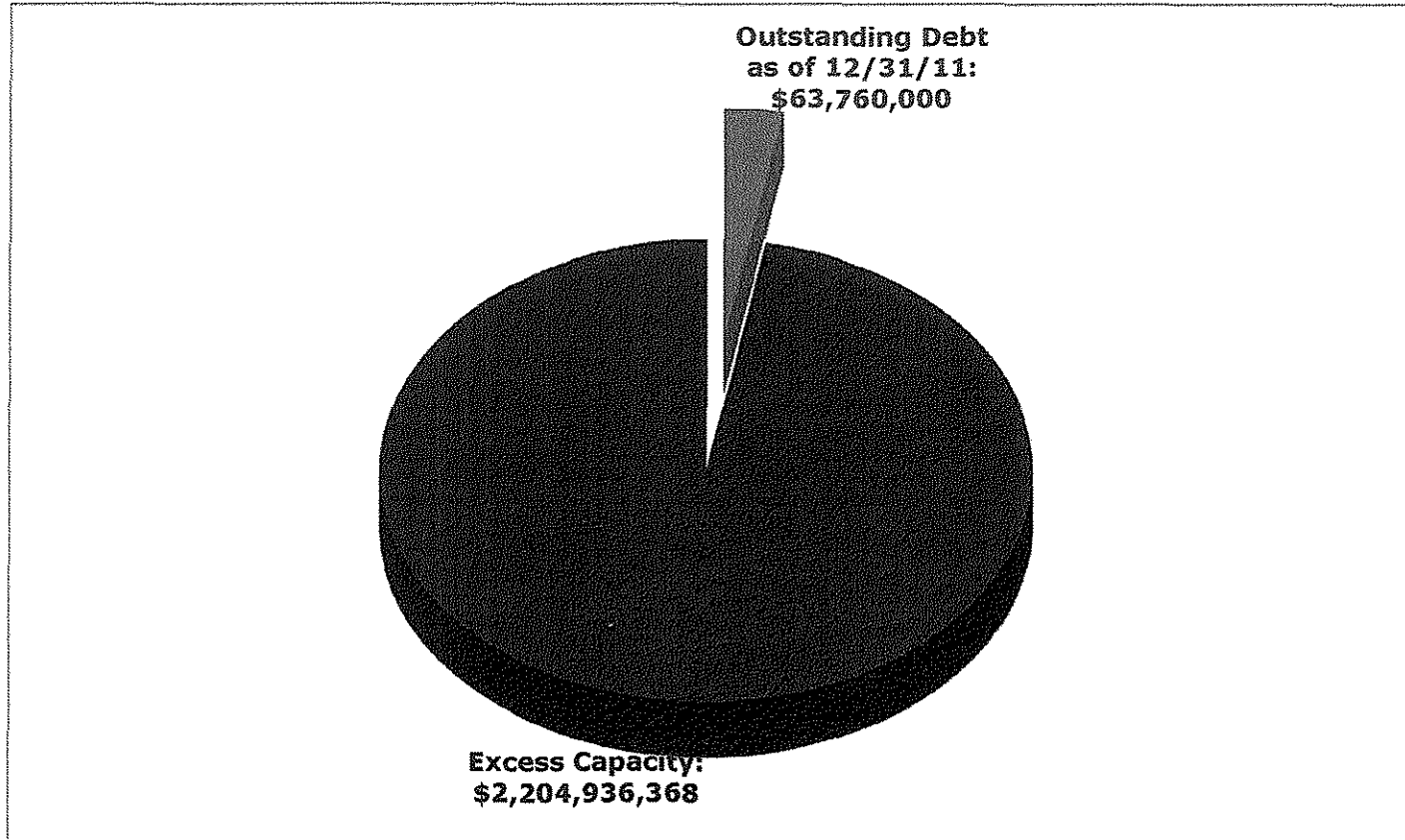
C. Equity Plan – N/A

D. Implications for other aspects of the organization – None

IV. Supporting Documentation –

- **Appendix A – Current Debt Capacity**
- **Appendix B – District Long Term Debt Analysis**

Madison Metropolitan School District Current Debt Capacity



Total Capacity based on 10% of the District's 2010 Equalized Valuation (TID-In) of \$22,709,063,677 or \$2,270,906,368.

Madison Metropolitan School District

Long Term Debt Analysis

	Non-Referendum Debt Service (Fund 38)	Referendum Approved Debt Service (Fund 39)	Total Debt	TIF IN 2010	Debt % to Value	Maximum Debt Allowed	% of Limit
Madison Metropolitan	29,095,000	34,665,000	63,760,000	22,709,063,677	0.28%	2,270,906,368	2.81%
DeForest Area	240,000	22,360,000	22,600,000	1,970,273,953	1.15%	197,027,395	11.47%
Middleton-Cross Plains	2,781,931	34,200,000	36,981,931	5,808,257,962	0.64%	580,825,796	6.37%
Monona Grove	2,046,706	49,995,000	52,041,706	2,018,472,543	2.58%	201,847,254	25.78%
Oregon	4,125,000	17,805,000	21,930,000	1,924,232,661	1.14%	192,423,266	11.40%
Stoughton Area	565,000	20,240,000	20,805,000	2,035,528,334	1.02%	203,552,833	10.22%
Sun Prairie Area	879,618	170,470,000	171,349,618	3,858,367,621	4.44%	385,836,762	44.41%
Verona Area	-	29,255,000	29,255,000	3,123,290,351	0.94%	312,329,035	9.37%
Waunakee Community	870,000	55,320,000	56,190,000	2,107,540,932	2.67%	210,754,093	26.66%
Green Bay Area	17,025,000	42,380,000	59,405,000	8,357,134,064	0.71%	835,713,406	7.11%
Kenosha	35,253,000	98,020,000	133,273,000	9,678,869,585	1.38%	967,886,959	13.77%
Milwaukee	380,180,031	-	380,180,031	29,502,203,500	1.29%	2,950,220,350	12.89%
Racine	11,660,040	18,320,000	29,980,040	9,687,428,500	0.31%	968,742,850	3.09%
Waukesha	15,196,792	4,140,000	19,336,792	9,425,677,206	0.21%	942,567,721	2.05%

*Information obtained from DPI, updated April 4, 2012