

MADISON METROPOLITAN SCHOOL DISTRICT

Appendix 000-12-3

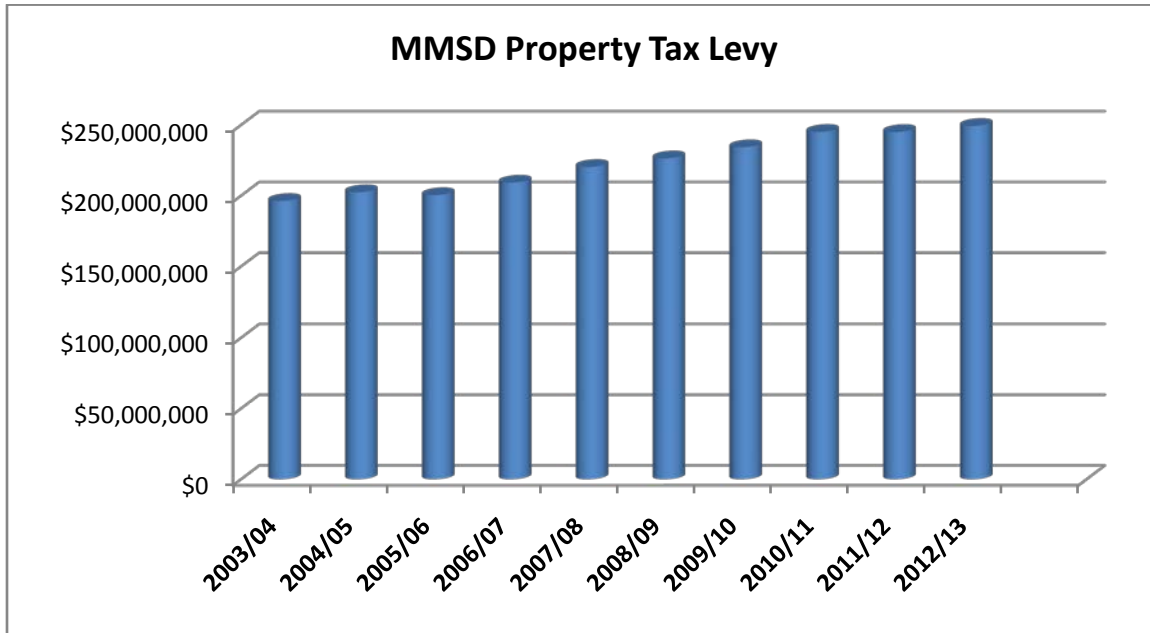
2013-14 Draft Budget

June 10, 2013 Discussion Items

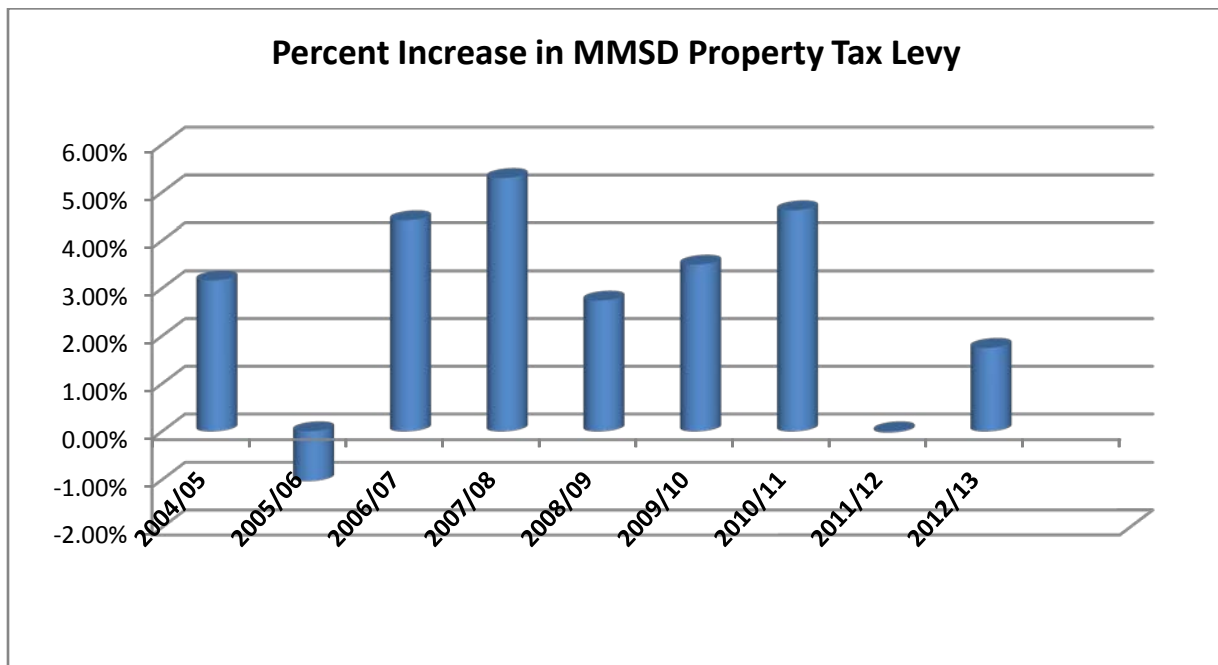
This summary is based upon a review of 2013-14 Proposed Budget Discussion Items prepared for June 10th. Special thanks to Donna Williams, Exec. Dir. Finance, upon whose work this summary is based.

The Madison Metropolitan School District 2013-14 Draft Budget was initially presented on April 22, 2013. The Board of Education is expected to resume discussion of the Draft Budget on June 10, 2013. **This document will assist in providing background information.** The discussion will include, among other topics, a review of the proposed tax levy and a list of recently developed options which could help reduce the proposed levy.

The 2013-14 Draft Budget includes a proposed tax levy of \$267,675,929. A recap of MMSD historical property tax levies is presented below:



While the proposed levy for 2013-14 is within (i.e. does not exceed) the Board’s legal authority under the Revenue Limit statute, it results in a 7.38% levy increase from last year. This is a higher levy increase than typically seen for MMSD. A historical levy increase/decrease chart is below:



The table below identifies the source of the property tax increase by Fund. Most of the proposed levy increase occurs in the General Fund. ¹

Property Tax Levy Summary:	Actual	Actual	Budget	Budget	Budget
	2011-12	2012-13	2013-14	Change	Percent
General (Fund 10,21,23, 27)	226,264,782	229,745,185	247,538,184	17,792,999	7.74%
Debt Service (Fund 38,39)	6,976,381	2,054,223	3,645,277	1,591,054	77.45%
Capital Projects (Fund 41)	3,630,939	5,681,809	5,808,133	126,324	2.22%
Community Service Fund 80	8,130,573	11,808,865	10,684,335	(1,124,530)	-9.52%
Total Levy	245,002,675	249,290,082	267,675,929	18,385,847	7.38%

1. Data for 2013-14 is in Draft status

The significant increase in the General Fund tax levy merits a closer look at the factors driving this increase, including a review of the 2013-14 Revenue Limit Formula (RLF). The RLF determines the maximum combined amount of state equalization aid and local taxes available to fund the school district budget.

The table below identifies the two major factors driving the General Fund levy Increase as proposed in the 2013-14 Draft Budget:

Factors Driving the MMSD General Fund Levy Increase:	Amount
Enrollment Increase (3Yr Rolling Avg.)	\$ 8,105,894
Estimated Loss of State Equalization Aid	\$ 8,768,541
All Other Factors - Net	\$ 662,647
Total	17,792,999

Aid Loss

Like all Wisconsin school districts, MMSD relies upon a state-local funding partnership. The actions of one partner greatly impact the other partner. The 2013-14 MMSD budget anticipates a major funding loss for MMSD (a loss of \$8.7 in equalization aid) which shifts the funding burden onto the local property taxpayer.

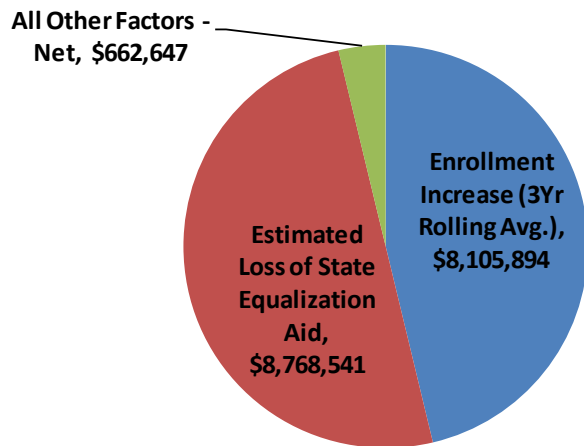
Enrollment

Unlike most Wisconsin school districts, MMSD is showing an increase in its 3-year rolling average of student enrollment. The increase is due in large part to the 4-K program. Enrollment as reported in the Revenue Limit Formula increases by 722 students in 2013-14. The enrollment increase drives the revenue limit upward (722 students x \$11,227 per student = \$8,105,894).

Revenue Limit – Increase Per Pupil

It is important to note a factor which is NOT present in the list above. Typically, the Revenue Limit Formula includes an annual increase in “revenue per pupil.” However, the Governor’s 2013-15 budget called for no increase in school district revenue per pupil, and the Draft Budget uses that assumption.

Factors Driving the MMSD General Fund Levy Based on the "Revenue Limit Formula"



As the pie chart illustrates, a combination of increasing enrollment and decreasing equalization aid produce the increase in the General Fund levy. It is important to note that both of these factors are estimates at this point in the budget process.

MMSD Budget Options Which Could Impact the 2013-14 Tax Levy:

Determining the Board's maximum tax levy authority under the Revenue Limit Formula is a straightforward mathematical calculation. However, determining a tax levy which complies with the Revenue Limit Formula and most appropriately addresses the needs of MMSD students and families, MMSD employees, and MMSD taxpayers is a more subjective and difficult task.

The list of options presented on the following page are intended to assist the Board in its discussion of the 2013-14 levy. It is not intended as a final or complete list of options. It is, however, a fair representation of the options which appear to be available at this point in the budget process.

Each item in the list of options presented here requires discussion and analysis. The June 10, 2013 meeting will provide an opportunity to begin that discussion. We have not attempted to provide an analysis of each item listed.

Discussion Options Which Could Impact the 2013-14 MMSD Tax Levy: (Continued)

Item	Reduction of Community Service Levy	Reduction	Status
A	Draw Upon Existing Reserves to Reduce the Community Service Levy (Note: Pending Legislation May Impact this Option)	1,500,000	Done
	Reduction of Debt Service Levy		
B	Pre-pay Certain Final Lease Costs in 2012-13 rather than 2013-14	1,222,952	Available
	Reduction of Personnel Expenditures in 2013-14:		
C	FTE Position Reductions	2,053,724	Available
D	Wage/Salary Increases		Available
E	Introduce an Employee Premium Contribution for Health Insurance		Available
F	Additional Teacher Retirement Salary Savings	419,392	Available
	Reduction of Non- Personnel Expenditures in 2013-14:		
G	Reduce Placeholder for Non-Personnel Increases from 2.0% to 1.0%	315,055	Available
H	Reduce Fund 41 Capital Maintenance Levy from \$5.8 million to \$4.8 m	1,000,000	Available
	Total (does not include Item A)	5,011,123	Available

Note: Item A has a status of done as it was included in the 2013-14 Draft Budget.

An appendix for each of the above items is attached.

For measuring the levy impact of any proposal listed above, each reduction of \$2.49 million will decrease the proposed 2013-14 levy by 1%.

Finally, it bears repeating that the October 2013 tax levy adoption will depend upon many variables, many of which are still uncertain. The State of Wisconsin 2013-15 budget will determine MMSD's equalization aid, revenue limit, and private school voucher status, to mention just a few key issues. September 2013 enrollment and October property values will be factors as well.

**Madison Metropolitan School District
Item A – Analysis of 2013-14 Budget Use of Fund Balance for Community Services**

The original analysis the district completed on the Community Services Fund (80) with the Draft Budget contained the potential to utilize the current \$1,300,000 fund balance from 2011-12. Then with the reduction of \$200,000 to MSCR's budget in 2012-13 there would be an additional \$200,000 realized in fund balanced that could be used which would bring the total fund balance of \$1,500,000 available at the end of 2012-13. This \$1,500,000 would then be applied to reduce the 2013-14 Community Services Fund (80) levy. The District would need to remember this reduction is only for one year and that in 2014-15 there will be an increase in the levy to make up for what the Community Service Fund may need to operate or reduce programs.

The \$1,500,000 reduction to the levy was included in the 2013-14 Draft Budget.

Since this analysis there has been new Community Service Fund (80) legislative Tax Reform Language Proposed which states the following: "Prohibit a school district from levying more for community service activity in 2013-14 and 2014-15 than it did in 2012-13. There are also four additional reporting requirements internally and externally that need to be completed by certain timelines.

At this point the District is unclear about the ability to use the fund balance to lower the levy and then if needed return to a higher levy in the future. The district will need to take this into consideration when making its final decision on the Community Services Fund Levy.

Item B - Analysis of Lease Agreement Prepayment for 2013-14 Budget

The district analyzed the potential to prepay three active lease purchase agreements by June 30, 2013 out of the 2012-13 budget funds. Two of the contracts have the final payments due in the 2013-14 budget and one lease has payments due in the 2013-14 and 2014-15 budget years. The three leases are listed below. As noted in the chart prepaying the HR/Business System lease has the district owing a penalty and the other two will actually have the district owing less interest, thus a total savings of \$6,697.67.

The 2012-13 year-end financial analysis is in the final stages of review. When the 2012-13 budget was adopted last fall it included using a total of \$5,532,515 in general fund balance. If we consider that we should have a negative fund balance of that when reviewing our year-end status and currently we are at a lesser negative balance that would mean we have a positive fund balance. We are confident that there is a positive surplus that would allow the district to make a recommendation to prepay these lease agreements.

Utilizing the funds in 2012-13 to prepay the lease agreements will free up \$1,222,952.13 to reduce the tax levy in general fund.

Lease	Original Lease			Prepayment of Lease			Total	Diff Original vs Prepay
	Principal	Interest	Total	Principal	Interest	Penalty		
HR/Business System (2003)	484,013.30	9,631.86	493,645.16	484,013.30	9,631.86	9,728.67	503,373.83	9,728.67
Honeywell Phase IV (2004)	441,933.97	13,235.05	455,169.02	441,933.97	8,838.68		450,772.65	(4,396.37)
Gym Lighting/Phone Upgrade (2010)	268,805.65	12,029.97	280,835.62	268,805.65	-		268,805.65	(12,029.97)
Totals	1,194,752.92	34,896.88	1,229,649.80	1,194,752.92	18,470.54	9,728.67	1,222,952.13	(6,697.67)

It is recommended that the Board of Education approve prepayment of the Lease Purchase agreements in the amount of \$1,222,952.13 with 2012-13 operating funds to reduce the 2013-14 budget.

Madison Metropolitan School District
Item C - 2013-14 Budget Positions Decisions

Position Additions from Draft Budget: Recommending to not go Forward			FTE
High School Professional Development Coordinators 2.0 (formerly REAL Grant)		\$147,006	2.000
Mental Health .5 Fund 80 .5 local		\$39,714	0.500
Ed Services Interventionist Savings		\$150,000	2.000
Madison Virtual Campus 1.5 FTE		\$155,255	1.500
Safety Coordinator		\$52,000	1.000
Chemical Lab LTE (1 year)		\$73,503	1.000
Mental Health .5 Fund 10 .5 Fund 80		\$39,714	0.500
Experiential and Environmental Specialist		\$57,733	0.700
Parent University IRT		\$71,800	1.000
Literacy Coaches		\$215,692	3.000
Literacy Administrator		\$114,448	1.000
Avid Expansion (MS/HS)		\$559,375	4.000
Community Schools IRT		\$71,800	1.000
Total Position Additions Recommended to not go Forward		\$1,748,040	19.20

Additional Savings			FTE
DLI Teacher Coach		\$73,503	1.000
High School Professional Development Coordinators		\$147,006	2.000
Total New Positions Recommending to Move Forward		\$220,509	3.00
TOTAL SAVINGS			\$1,968,549 22.20

MadisonMetropolitan School District
Item D - Analysis of 2013-14 Budget Wage/Salary Increase Options

The district has prepared an analysis of the wage/salary increase data by employee unit that was presented in the 2013-14 Draft Budget. The table below also includes information for discussion regarding a 1% increase or a .5% increase.

Employee Unit	2013-14	2013-14	2013-14	2013-14	2013-14
	Draft Budget Step	Draft Budget Salary 1.5%	Draft Budget Total	Budget Alternative Salary 1%	Budget Alternative Salary .5%
Teachers	687,516	1,042,913	1,730,429	695,275	347,638
Administrators	134,768	210,791	345,559	140,528	70,264
Custodial/Trades	133,431	208,700	342,130	139,133	69,567
Clerical	91,422	142,993	234,415	95,329	47,664
Educational Asst	115,799	181,122	296,921	120,748	60,374
Food Service	21,608	33,796	55,404	22,531	11,265
Non-Union Clerical	8,446	13,210	21,656	8,807	4,403
Non-Union Professi	46,629	72,933	119,562	48,622	24,311
Totals	1,239,618	1,906,458	3,146,077	1,270,972	635,486

The chart below represents MMSD and comparable District's teacher salary data for your information.

	Madison	Green Bay	Kenosha	Racine	Eau Claire	Beloit	Middleton	Verona	Sun Prairie	Waunakee	De Forest
Base Pay (BA)	\$33,575	\$37,362	\$38,377	\$39,150	\$37,270	\$34,607	\$35,076	\$36,040	\$34,150	\$36,205	\$34,000
BA + 10 yrs experience	\$47,409	\$42,662	\$50,629	\$50,150	\$49,140	\$40,223 (5 yr max)	\$41,571 (5 yr max)	\$40,077	No informa	\$48,205	\$45,495
BA + 20 yrs experience	\$54,248	\$52,762	\$58,213 (15 yr. is max)	\$51,550 (11 yr max)	\$52,122	\$40,223 (5 yr max)	\$41,571 (5 yr max)	\$40,078	No informa	\$54,205	\$57,092
MA	\$36,684	\$42,294	42,266	\$45,492	\$40,088	\$40,385	\$39,460	\$40,959	\$37,150	\$37,705	\$37,396
MA + 10 yrs experience	\$50,518	\$58,994	57,017	\$60,492	\$53,923	\$56,664	\$54,888	\$48,061	No informa	\$49,705	\$50,833
MA + 20 yrs experience	\$58,350	\$61,594	\$69,202 (15 yr. is max)	\$62,292 (11 yr max)	\$62,641	\$63,760 (15 yr max)	\$59,515 (13 yr max)	\$55,334	No informa	District Administrator Determines	\$64,323
MAX PAY ON SCHEDULE	\$90,579	\$64,882	\$76,934	70,044	\$65,645	\$73,113	\$79,083	\$72,839 (possible to increase to \$82,709 if longevity criteria met)	No informa	\$63,205 (possible to increase if special criteria met)	\$64,323

**Madison Metropolitan School District
Item E – Analysis of Introduction of Employee Premium Contribution for Health Insurance
2013-14 Budget**

The district has reviewed the impact to the 2013-14 Budget if health insurance premiums were introduced as being an employee contribution. The estimated savings as a 5% employee premium contribution is \$2,309,205 and 10% is \$4,618,410. The employee contribution would be a pre-tax payroll deduction, therefore, the cost would not be the full amount. Example: Health insurance premium is \$15,000 and the employee would contribute 10% or \$1,500. The employee contribution would be pre-tax so take home pay would only be deducted \$1,385.25.

This information is to help in opening the item for discussion.

The chart below represents MMSD and comparable District's employee health insurance contribution for your information.

	Madison	Green Bay	Kenosha	Racine	Eau Claire	Beloit	Middleton	Verona	Sun Prairie	Waunakee	De Forest
Teachers	100%	88%	88%	98%	87.40%	93% or 100% (based on FTE)	41% - 85% (based on FTE)	90% (for .75 - 1.0 FTE); or FTE x .90	85% or 88% (if employee takes health risk assessment)	88% (or, FTE x .88)	90% (pro-rated for staff who work less than F/T); 0% for staff who work 20 hrs/week or less.
Ed Assistants ("Paraprofessionals")	100%	88%	94%	97%	87.40%	0-93% (based on FTE)	41% - 85% (based on FTE)	90% (for 37.5 hpw); 75% (20 - 37.5 hpw); 0% (if less than 20 hpw)	85% or 88% (if employee takes health risk assessment)	66 - 70% (based on hpw); 0% for staff who work 20hpw or less.	90% (pro-rated for staff who work less than F/T); 0% for staff who work 20 hrs/week or less.
Administrators/Supervisors/Other Professional Staff	100% Except Administrators @ 90%	88%	90%	96%	87.40%		41% - 85% (based on FTE)	90% (for .75 - 1.0 FTE); or FTE x .90	85% or 88% (if employee takes health risk assessment)	88%; 0% for staff who work 20 hpw or less	90% (pro-rated for staff who work less than F/T); 0% for staff who work 20 hrs/week or less.

Madison Metropolitan School District
Item F - Analysis of Additional Retiree Savings in 2013-14 Budget

The budget forecast assumptions state that it will use 81 teacher retirees as an average number of FTE to calculate in the salary projection. The following calculation is used during the forecast and budget building process. The district removes high cost retirees from the top of the salary schedule and replaces them with an estimated average salary cost. The difference is used to summarize savings in the budget.

The district tracks the retirees through the budget process and at this time there are 96 teacher retirees. The chart below represents the additional 15 retirees, where they were removed from the teacher pay schedule and the calculated additional savings to the district that would be received and applied to reducing the levy.

Teachers	FTE	2013-14 Rate	Cost	Scattergram	New Cost	Savings
	3	62,990	188,971	Row 32 Column G	112,803	(76,168)
	3	64,250	192,750	Row 33 Column G	112,803	(79,947)
	3	65,534	196,603	Row 34 Column G	112,803	(83,800)
	3	66,845	200,536	Row 35 Column G	112,803	(87,733)
	3	68,182	204,546	Row 36 Column G	112,803	(91,743)
Totals	15		983,407		564,015	(419,392)

Note: Adjust for 96 or 15 more teachers that will be placed as a vacancy at M4(4) on the salary schedule at \$37,601

**Madison Metropolitan School District
2013-14 Draft Budget**

Item G - Analysis of Increase to Non-Personnel by CPI-U 2%

Information below reflects the 2% CPI-U increase to the budget. This is broken down into two areas. First the Temporary Salaries which would be substitutes, extended contract time, overtime, etc. The second area includes objects 300-999, which is for the consultants, supplies, contracted services, workshops, etc. From the amounts in each area items are subtracted that would be considered as held harmless from a reduction in the increase due to contracts in place, funding sources, non-controllable expenses, etc. Examples include Pupil Transportation with vendor negotiated contracts, utilities, audit, bank fees, etc. The following information shows the amount that could be reduced at three levels: 1%, 1.5% and 2%.

Temporary Salary Budgets	Total	1% Reduction	1.5% Reduction	2% Reduction
Total Budget	12,738,539.36			
Less Items Identified as Held Harmless from Reduction				
Grants	(1,128,143.46)			
Athletics	(1,122,642.61)			
TERP	(3,277,949.00)			
	7,209,804.29			
Budget applicable for Reduction by Fund				
Fund 10	2,917,472.28	29,174.72	43,762.08	58,349.45
Fund 27	478,409.90	4,784.10	7,176.15	9,568.20
Fund 80	3,813,922.11	38,139.22	57,208.83	76,278.44
Total Temp Sal Budget Avail for Reduction	7,209,804.29	72,098.04	108,147.06	144,196.09

Object 300-999 Non Permanent Salary/Benefit Budgets	Total	1% Reduction	1.5% Reduction	2% Reduction
Total Budget	112,795,999.02			
Less Items Held Harmless from Reduction				
Grants	(2,431,583.00)			
Achievement Gap	(547,324.00)			
Pupil Transportation	(10,645,576.00)			
Liability, Workers Comp Insurance, etc.	(2,092,220.00)			
Interfund Transfers	(46,556,294.00)			
Utilities	(5,988,034.00)			
Lease Purchase Debt Payments	(1,114,414.16)			
4-K and Open Enrollment Tuition	(7,637,454.00)			
Purchased Service Contracts	(1,940,890.20)			
School Activities Recorded at District Level	(3,116,932.00)			
Food Service Fund (50)	(5,390,819.70)			
Budget applicable for Reduction by Fund				
Fund 10	21,433,219.70	214,332.20	321,498.30	428,664.39
Fund 27	84,094.60	840.95	1,261.42	1,681.89
Fund 80	3,817,143.66	38,171.44	57,257.15	76,342.87
Total Objects 300-999 Avail for Reduction	25,334,457.96	253,344.58	380,016.87	506,689.16

Total Potential Reduction	325,442.62	488,163.93	650,885.25
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**Madison Metropolitan School District
Item H 2013-14 Budget - 3 Year Analysis of Building Services Maintenance**

The District completed a three year analysis of the Building Services Maintenance budget. Each of the three years included some maintenance dollars from fund balance. In comparing the base (non fund balance or grant dollars) maintenance funds in 2011-12, 2012-13 and then in the draft budget for 2013-14 it can be noted that the additional dollars from fund balance in 2011-12 were not reduced in 2012-13 thereby inflating 2012-13 base by \$1,000,000. A \$1,000,000 reduction to maintenance would be a direct tax levy savings.

Building Services - Maintenance Budget			
Description	2011-12 Budget	2012-13 Budget	2013-14 Budget
ORG 544 & 545			
Equity	1,000,000	2,000,000	
Levy		706,505	706,505
Ed Jobs Trades Supplies Equity	210,000		
Carryover Equity	818,522	2,100,000	
Carryover Equity-parking lot	10,201		
Furniture from Levy		500,000	
Transfer to Asst Supts			(250,000)
Transfer to fund 2.0 FTE Trades		(210,000)	(250,000)
2% CPI-U inflation Increase		123,303	125,769
Adj Levy to Equity - Fall Budget		793,495	
Adj Equity - Fall Budget		111,330	
Workers Comp		5,986	
Move underlevy projects to 80		(675,500)	
Base Budget	5,165,136	6,165,136	6,288,439
Total	7,203,859	11,620,255	6,620,712