

**SCHOOL DISTRICT OF MANAWA
FINANCE COMMITTEE MEETING
AGENDA**

Date: February 17, 2020

Time: 6:00 p.m.

**MES Board Room
800 Beech Street, Manawa**

Board Committee Members: Pohl (C), J. Johnson, Pethke

In Attendance:

Timer: _____ **Recorder:** _____

1. Monthly Financial Summary (Informational)
2. Finance Committee Reports Feedback (Informational)
3. 2019-20 Budget Revision (Action)
4. CESA 6 WI OPEB Trust Investment Policy (Action)
5. Referendum Borrowing Summary (Informational)
6. 2020-21 Budget Updates (Informational)
7. 2019 Audit (Informational)
8. Finance Committee Planning Guide (Information / Action)
9. Next Finance Committee Meeting Date: _____
10. Next Finance Committee Items:
 - 1.
 - 2.
11. Adjourn

GENERAL FUND (FUND 10)	Budget 2019-20	Revised Budget 2019-20
Beginning Fund Balance (Account 930 000)	2,019,342.91	2,019,342.91
TOTAL ENDING FUND BALANCE (ACCT. 930 000)	2,019,342.91	2,019,342.91
REVENUES & OTHER FINANCING SOURCES		
100 Transfers-in	192,300.00	0
Local Sources		
210 Taxes	3,000,000.00	3,000,000.00
213 Mobile Home tax	0.00	7,300.00
270 School Activity Income	11,000.00	11,000.00
280 Interest on Investments	12,000.00	18,000.00
290 Other Revenue, Local Sources	29,100.00	29,100.00
Subtotal Local Sources	3,052,100.00	3,065,400.00
Other School Districts Within Wisconsin		
310 Transit of Aids	0.00	0.00
340 Payments for Services	165,000.00	185,670.00
Subtotal Other School Districts within Wisconsin	165,000.00	185,670.00
Intermediate Sources		
510 Transit of Aids	7,389.00	7,389.00
Subtotal Intermediate Sources	7,389.00	7,389.00
State Sources		
610 State Aid -- Categorical	54,000.00	58,521.00
620 State Aid -- General	4,323,683.00	4,323,683.00
630 DPI Special Project Grants	4,880.00	4,880.00
660 Other State Revenue Through Local Units	2,000.00	2,000.00
690 Other Revenue	849,944.00	849,944.00
Subtotal State Sources	5,234,507.00	5,239,028.00
Federal Sources		
710 Federal Aid - Categorical	0.00	0.00
730 DPI Special Project Grants	44,375.00	44,375.00
750 IASA Grants	104,935.00	119,094.00
Subtotal Federal Sources	149,310.00	166,451.00
Other Revenues		
960 Adjustments	1,000.00	1,000.00
970 Refund of Disbursement	0.00	4,700.00
990 Miscellaneous	0.00	6,000.00
Subtotal Other Revenues	1,000.00	11,700.00
TOTAL REVENUES & OTHER FINANCING SOURCES	8,801,606.00	8,675,638.00
EXPENDITURES & OTHER FINANCING USES		
Instruction		
100 000 Regular Instruction	4,090,094	3,774,675
Subtotal Instruction	4,090,944.00	3,774,675.00
Support Sources		
200 000 Support Services	3,242,363	3,503,095
Subtotal Support Sources	3,242,363.00	3,503,095.00
Non-Program Transactions		
400 000 Inter-fund Transfers	1,468,299	1,397,868
Subtotal Non-Program Transactions	1,468,299.00	1,397,868.00
TOTAL EXPENDITURES & OTHER FINANCING USES	8,801,606.00	8,675,638.00

Employee Benefit Trust Fund of School District of Manawa

Selection of Investments

Introduction

The overall objective of this statement is to provide guidance for the investment of contributions and other Employee Benefit Trust Fund assets to help maintain adequate funding for Trust liabilities. The investment selection sets forth the strategy that will be applied in accordance with Investment Policy and State Statutes.

Standard of Prudence

The standard of prudence to be used by the investment officials shall be the “prudent investor” and shall be applied in the context of managing the portfolio. Investments shall be made with the care, skill, prudence and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims.

The Investment Advisor may employ investments that have disciplines outside of the established asset allocation guidelines as appropriate to meet the Standard of Prudence.

Rebalancing

The Investment Advisor will evaluate Trust asset allocation against the preferred targets and acceptable ranges at least on a quarterly basis, or more frequently if market conditions dictate. If a particular asset class exceeds the maximum or minimum constraints of its acceptable range, the Investment Advisor will rebalance Trust assets to bring the asset class allocation back within the asset allocation guidelines established in the portfolio strategies. Trust assets will not be rebalanced when the Committee requests that the Investment Advisor hold cash equivalents for shorter-term needs causing certain asset classes to fall outside the acceptable ranges.

	Ultra Conservative		Conservative		Moderate		Aggressive	
	Strategy 1		Strategy 2		Strategy 3		Strategy 4	
Asset Class	Min-Max	Target	Min-Max	Target	Min-Max	Target	Min-Max	Target
Money Funds	0-100%	70%	0-30%	5%	0-25%	3%	0-20%	2%
Fixed Income Investment Grade	0-50%	30%	40-75%	57%	20-50%	38%	5-30%	17%
High Yield	0%	0%	0-20%	8%	0-25%	10%	0-25%	8%
Domestic Equity	0%	0%	10-40%	30%	30-60%	45%	40-70%	60%
International Equity	0%	0%	0-10%	0%	0-15%	0%	0-25%	5%
Inflation Sensitive	0%	0%	0-10%	0%	0-15%	4%	0-20%	8%
	100%		100%		100%		100%	

Investment Selection

Sub-Account:

CESA 6 WI OPEB Manawa School District
Roll-Up Account (Account: 99-IT56-AA-9)

Investment Strategy:

_____ (1-4)

Date approved:

February 17, 2020

Signature: _____

Name: Carmen O'Brien

Title: Business Manager

District: School District of Manawa



School District of Manawa

Final Pricing Summary
February 10, 2020

Brian C. Brewer, Managing Director

bbrewer@rbaird.com
777 East Wisconsin Avenue
Milwaukee, WI 53202
Phone 414.765.3827
rbaird.com/publicfinance



School District of Manawa

Issue Summary	
Description:	General Obligation Promissory Notes
Amount:	\$4,500,000
Dated & Settlement Date:	March 3, 2020
Maturities:	March 1, 2021 - 2029
First Interest Payment:	March 1, 2021
First Call Date:	March 1, 2027
Rating:	A+
All Inclusive Cost:	1.84%



School District of Manawa

REFERENDUM FINANCING PLAN ILLUSTRATION

LEVY YEAR	YEAR DUE	EXISTING EEE LEVY	Sale Date: January 21, 2019 PHASE I \$7,500,000 BAN - FINAL Dated February 6, 2019 (Due 8/6/19)		Sale Date: April 30, 2019 PHASE II \$7,490,000 G.O. REFUNDING BONDS - FINAL Dated May 22, 2019 (First interest 3/1/20)		Sale Date: February 10, 2020 PHASE III \$4,500,000 G.O. PROMISSORY NOTES - FINAL Dated March 3, 2020 (First interest 3/1/21)			2019-20 OPERATIONAL REFERENDUM LEVY	EEE LEVY, OPERATIONAL REFERENDUM LEVY, & FUND 39 DEBT SERVICE	COMBINED MILL RATE (A)	YEAR DUE
			INTEREST RATE= 2.55%	PRINCIPAL (3/1)	INTEREST (3/1 & 9/1) AIC= 3.24%	PRINCIPAL (3/1)	INTEREST (3/1 & 9/1) AIC= 1.84%	LESS: BID PREMIUM					
2017	2018	\$872,037									\$872,037	\$2.34	2018
2018	2019	\$870,000	\$62,156								\$870,000	\$2.33	2019
2019	2020			\$185,000	\$319,716					\$365,000	\$869,716	\$2.31	2020
2020	2021				\$247,384	\$555,000	\$179,078	(\$169,235)			\$812,228	\$2.14	2021
2021	2022				\$247,384	\$460,000	\$101,850				\$809,234	\$2.11	2022
2022	2023				\$247,384	\$475,000	\$87,825				\$810,209	\$2.09	2023
2023	2024				\$247,384	\$490,000	\$73,350				\$810,734	\$2.07	2024
2024	2025				\$247,384	\$505,000	\$58,425				\$810,809	\$2.05	2025
2025	2026				\$247,384	\$520,000	\$43,050				\$810,434	\$2.03	2026
2026	2027				\$247,384	\$535,000	\$27,225				\$809,609	\$2.01	2027
2027	2028				\$247,384	\$550,000	\$13,700				\$811,084	\$1.99	2028
2028	2029			\$150,000	\$244,384	\$410,000	\$4,100				\$808,484	\$1.96	2029
2029	2030			\$605,000	\$229,284						\$834,284	\$2.01	2030
2030	2031			\$630,000	\$204,584						\$834,584	\$1.99	2031
2031	2032			\$655,000	\$178,884						\$833,884	\$1.97	2032
2032	2033			\$685,000	\$152,084						\$837,084	\$1.95	2033
2033	2034			\$705,000	\$127,809						\$832,809	\$1.92	2034
2034	2035			\$730,000	\$106,284						\$836,284	\$1.91	2035
2035	2036			\$750,000	\$84,084						\$834,084	\$1.89	2036
2036	2037			\$775,000	\$61,209						\$836,209	\$1.88	2037
2037	2038			\$800,000	\$37,584						\$837,584	\$1.86	2038
2038	2039			\$820,000	\$12,792						\$832,792	\$1.83	2039
		<u>\$1,742,037</u>		<u>\$7,490,000</u>	<u>\$3,737,770</u>	<u>\$4,500,000</u>	<u>\$588,603</u>	<u>(\$169,235)</u>	<u>\$365,000</u>	<u>\$18,254,175</u>	IMPACT=	<u>(\$0.03)</u>	

BAN Principal & Interest to be repaid with G.O. Refunding Bonds on 6/3/19

(A) Mill rate based on 2017, 2018 & 2019 Equalized Valuations (TID-OUT) of \$372,167,274, \$373,306,909 & \$376,504,061, respectively, with annual growth of 1.00% thereafter.

	Referendum Debt Service	Interest Rate	Mill Rate Impact
Planning Estimate	\$17,736,542	4.03%	\$0.00
Final	\$16,147,138	2.98%	(\$0.03)
Difference	(\$1,589,404)	-1.05%	(\$0.03)

Summary:

**Manawa School District, Wisconsin;
General Obligation**

Primary Credit Analyst:

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Secondary Contact:

Emily Powers, Chicago + 1 (312) 233 7030; emily.powers@spglobal.com

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Credit Overview

Related Research

Summary:

Manawa School District, Wisconsin; General Obligation

Credit Profile

US\$4.5 mil GO prom nts due 03/01/2029

Long Term Rating

A+/Stable

New

Manawa Sch Dist GO (BAM)

Unenhanced Rating

A+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Rationale

S&P Global Ratings assigned its 'A+' rating to Manawa School District, Wis.' general obligation (GO) promissory notes, dated March 3, 2020. At the same time, we affirmed our 'A+' rating on the district's outstanding GO bonds. The outlook is stable.

Security and use of proceeds

The promissory notes represent the last installment of GO debt authorized by district voters in November 2018, and are secured by the district's unlimited-tax GO pledge. Officials will use proceeds for the remaining cost of school building improvements, including additions to the junior/senior high school; districtwide renovations; capital maintenance; safety and site improvements; and the acquisition of related furnishings, fixtures, and equipment.

Credit summary

Despite declining enrollment, the district has a recent history of maintaining very strong reserves in excess of what is required by its 18% fund balance policy. While management's projections show enrollment more or less stabilizing in the next five years, we think that ongoing declines could translate to operational pressure if these projections are not borne out and enrollment continues to fall at a rate comparable to the last three years. Following a fiscal 2018 deficit that we understand largely reflected one-time, project-related costs, the general fund saw a surplus in fiscal 2019 that came amid staff reductions. The district passed a balanced budget in fiscal 2020, and we expect that ongoing, strategic budget cuts should enable it to remain structurally balanced in fiscal 2021 and beyond as management continues to work toward right-sizing the expenditure budget to align with revenues. We believe the rating could be pressured if the district is unable to continue running a consistently balanced operating budget while keeping reserves in line with its 18% fund balance policy requirement, while a possible upgrade will be limited absent a clear trend of stable-to-growing enrollment and improvement in economic characteristics.

The 'A+' rating reflects our assessment of the district's:

- Stable economic base supported good household incomes and strong per capita market value, though with a clear trend of declining enrollment that we expect will continue through at least the next few years;

- History of sustaining very strong reserves in excess of the 18% of expenditures required by its fund balance policy; and
- Moderate overall debt burden and limited pension pressure, albeit with a back-loaded principal amortization schedule that extends to 2039.

Outlook

Downside scenario

We could lower the rating if the district's reserves fell materially below its 18% fund balance policy requirement without a plan in place to replenish them to the policy level. We could also lower the rating if the district were to experience a persistent and pronounced decline in enrollment that we thought likely to significantly pressure operations.

Upside scenario

We could raise the rating if the district's trend of enrollment decline were to reverse, while economic indicators improved to levels commensurate with those of more highly rated peers.

Credit Overview

Stable, though limited, local employment base with below-average incomes and strong per capita wealth

Manawa School District serves a small community in north-central Wisconsin, approximately 34 miles northwest of Appleton, 37 miles southwest of Stevens Point, and 130 miles northeast of Madison. Management indicates that the local economy has been very stable in recent years, with no major changes in businesses and taxpayers. For employment, many residents commute to neighboring cities such as Appleton and Stevens Point, although there are some jobs within the district, with leading employers including Strum Foods (a food-packaging company, 400 employees), the district itself (90), and Kolbe & Kolbe Millwork Co. (a window and door manufacturer, 80).

Key measures of economic health are mixed, as district incomes are below national averages--both on a per capita and household basis--while market value is strong. We expect these measures to remain stable or improve in the coming few years, though we expect any changes to be modest.

Positive operating results in the most recent year following budget reductions, with ongoing enrollment declines a potential source of downside pressure

A three-year moving enrollment average is a key factor in Wisconsin school district per-pupil revenue, which is subject to a cap that the state determines. Although annual student count fluctuations do not have a material effect on finances, a trend of increasing or decreasing enrollment could lead to corresponding increases or decreases in revenue. As previously discussed, the district's enrollment has fallen in each of the past three years, reaching 620 in the 2019-2020 academic year from a recent high of 703 three years prior. Management's projections show it continuing to decline, though at a more moderate pace, reaching 612 by 2023-2024. If worse than currently projected, we think that persistent enrollment declines could be a source of ongoing operational pressure which, if not actively managed, could pressure credit quality.

Following a fairly sizable draw on reserves in fiscal 2018 that we understand largely reflected nonrecurring project costs, the district ran a general fund surplus in fiscal 2019, which management attributes to staff reductions as part of a two-year budget reduction plan. While budgeting for break-even results in fiscal 2020, management currently anticipates a small budget surplus, and we understand that the district plans to institute further cost-saving measures in fiscal 2021 to keep expenditures aligned with revenues amid declining enrollment. About 58% of fiscal 2019 operating revenues were state aid, with most of the remainder coming from property taxes.

Standard financial management policies and practices

We consider the district's management practices standard under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

When developing revenue and expenditure assumptions for annual budgets, management examines five years of historical data and consults with internal and external sources. It shares monthly reports on budget-to-actual results with the school board. Management maintains a comprehensive five-year financial plan using the Forecast5 model that is updated annually and shared with the board. The district maintains a 20-year facilities maintenance plan that has future projects and needs listed and prioritized. It has its own investment management policy with annual reporting on holdings to the board. Management's formal policy is to maintain reserves at a level to avoid cash-flow borrowing, although the district has borrowed for cash flow in each of the last four years. It has a board-defined minimum to hold reserves at no less than 18% of expenditures, which it has exceeded in at least the last three years. The district does not have a restrictive debt management policy.

Moderate liability profile, with no additional capital needs and minimal pension costs

Following the issuance of the GO promissory notes, overall debt will be a moderate \$3,327 per capita and 4.4% of market value. Principal amortization is slower than average with only 40% of direct debt scheduled for repayment in the next 10 years. Though debt service (including both principal and interest payments) is level through 2039, we note that principal amortization is ascending through maturity, meaning that the district will carry a larger liability for longer. Still, the district has no additional capital needs or debt plans, so we think its debt profile is unlikely to worsen through at least the next few years. It has no direct-purchase or variable-rate debt. While it has taken out a line of credit to support cash-flow needs in recent years, we understand that it did not need to draw on it this year.

Key pension observations include the following:

- The district's pension are modest as a share of total spending and are not likely to accelerate significantly in the medium term, especially given the pension plan's strong funded status.
- The district participates in the Wisconsin Retirement System (WRS), a multiple-employer, defined-benefit pension plan that has in recent years routinely been among the best-funded multiple-employer pension plans in the county.
- The district does not offer other postemployment benefits.

As of Dec. 31, 2018, WRS was 96.5% funded, and the district's most recently reported proportionate share of the plan's net pension liability was \$925,000. The district's pension contributions are typically low and represented only 1.4% of government fund expenditures in fiscal 2019.

WRS' investment rate of return assumption was lowered to 7.0% from 7.2% in late 2018, which contributed to a

decline in funded status. While the revised return assumption exceeds our 6.5% guideline, exposure to market volatility is mitigated because the plan employs a shared risk model where investment performance fluctuations are offset by changes in active employee contributions and in adjustments in benefit payments. Because of these features, we expect contributions will remain relatively stable, and, given the plan's strong funded status and contribution practices, we expect district contributions will remain affordable.

Manawa School District, WI -- Financial And Operating Statistics

	Characterization	Most recent	Historical information		
			2019	2018	2017
Economic indicators					
Population				4,969	5,046
Median household EBI % of U.S.	Good			95	99
Per capita EBI % of U.S.	Adequate			84	87
MV per capita (\$)	Strong		76,394	75,392	71,302
Top 10 taxpayers as % of AV	Very diverse		8.9		
Financial indicators					
Total adjusted available fund balance (\$000)			2,019	1,879	2,017
Total adjusted available fund balance as % of operating expenditures	Very strong		21.1	19.5	22.7
Governmental funds cash as % of governmental fund expenditures			44.2	9.4	18.1
General fund operating result as % of general fund operating expenditures			1.47	(4.55)	(0.91)
FMA	Standard				
Enrollment		634	639	670	703
Debt and long-term liabilities					
Overall net debt as % of MV	Moderate	4.4	3.4	1.4	1.5
DS as % of governmental funds expenditures	Low		41.2	1.5	0.6
Pension ADC (\$000)			261	258	259
OPEB contribution (\$000)			0	0	0
ADC plus OPEB as % of governmental fund expenditures			1.4	2.6	2.8

EBI--Effective buying income. MV--Market value. AV--Assessed value. FMA--Financial Management Assessment. DS--Debt service. ADC--Actuarially determined contribution. OPEB--Other postemployment benefits.

Related Research

- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

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Students choosing to excel; realizing their strengths.

To: Board of Education
From: Carmen O'Brien
cc: Dr. Melanie Oppor
Date: 2/14/2020
Re: Referendum Borrowing Summary

The School District of Manawa entered the market for the second borrowing for the \$12 million referendum project. Our interest rate was secured at 1.84% for \$4.5 million. Last year, the rate was 3.24% for \$7.5 million.

Throughout the referendum process, our financial consultants at R.W. Baird estimated 4% in interest. Due to these lower rates, the referendum payments will be lower each year for the next 20 years than what was projected totaling \$1.5 million less in interest payments than what was communicated to taxpayers. Referendum payments are outside the revenue limit and have no bearing on how much the district can tax to cover expenses. Lower payments do affect the mill rate, though. Last month, I projected that the mill rate would be \$9.71 for 2020-21. With this updated information, I project the mill rate at \$9.56, a \$0.15 decrease. Kudos to our partners at R.W. Baird for recognizing this opportunity for our district!

I would also like to note that Premier Community Bank purchased some of our bonds.



Students choosing to excel; realizing their strengths.

To: Board of Education
From: Carmen O'Brien
cc: Dr. Melanie Oppor
Date: 2/14/2020
Re: 2020-21 Budget Updates

Enrollment:

Enrollment is the largest factor in determining funding for the School District of Manawa. Currently, the District is experiencing a population decline in that the classes that are graduating are larger than the classes that are entering school (see the monthly enrollment report). According to census data, we can expect this decline to start to level off in 2022-23.

Forecast 5 Model:

After the revised budget was imported to the Forecast 5 model, projections were calculated. All budget lines are rolled forward and the following assumptions were made:

Revenue

- 0.5% increase in property values (0.84% increase this year)
- Enrollment – grades are rolling up and used census data (-30 students next year)

Expenditure

- Professional Teaching staff - Salary Advancement Model (+\$50,400)
- Support Staff and Administration – 1.77% increase (CPI est.) (+\$22,287)
- Health Aide position eliminated (-\$15,150)
- 1-year 6th grade teaching contract expires (-\$54,600)
- Medical Insurance (+10% = +\$98,183)
- Dental Insurance (+2% = +\$1,488)
- Vision Insurance (+2% = +\$130)
- Retirement (+2.5% = +\$6,790)
- Social Security/Medicare (+2.5% = +\$7,752)
- Gas, Electricity, Water, & Sewer (+2% = +\$5,116)
- Busing (+2.5% = +\$11,556)

After levying to the allowable limit, the District will have to cut an estimated \$247,000 more in expenditures. In addition, the medical insurance renewal came in at a 19% increase with the current provider, WCA Group Health Trust. A 10% increase was budgeted for and another 9% on top of that would cost \$88,365 more. This has prompted our consortium to go out to bid. We should know more about this in the coming weeks.

A retirement option has been offered to any staff that have worked in the district for 20 or more years and are at least 55 years old. If any staff choose this option, it will affect the 2020-21 budget. The administrative team will continue to revise Staff and Program changes to provide the Board of Education with a balanced budget for school year 2020-21.

Monthly Enrollment Count for SY2019-2020

Grade	21-May-18	16-Sep-19	3rd Fri SEPT	OCT	NOV	DEC	JAN	FEB	MA	APR	MAY
EC / Speech .5	7	6	6	6	6	6	6				
4K .6	37	30	31	31	30	32	30				
Kdg	30	38	39	39	39	40	40				
1	46	29	30	30	29	30	28				
2	31	52	52	52	51	51	51				
3	33	30	30	30	30	30	29				
4	50	34	34	34	35	35	34				
5	37	55	55	55	54	54	53				
6	37	38	37	37	38	39	39				
7	52	38	38	37	38	38	38				
8	54	52	52	52	52	52	51				
9	53	59	60	60	60	60	58				
10	66	52	52	52	52	52	52				
11	50	63	64	63	62	62	62				
12	62	54	54	54	54	54	53				
Subtotal Students	645	630	634	632	630	635	624				
Less OE IN	-18	-22	-25	-25	-26	-24	-24	2nd Friday Count Verification is in Process			
Plus OE OUT	91	107	89	89	89	90	88	2nd Friday Count Verification is in Process			
Less Tuition Sharing	-2	-3	-3	-3	-3	-3	-3				
Plus Cty Sch Enrollment		1	1	2	2	2	2				
Total Enrollment	716	713	696	695	692	700	687				
3rd Friday Sept 2018	#										

Note: September Open Enrollment numbers are tentative until after the 3rd Friday Count and Open Enrollment is Verified with other districts.