

The Importance of Managing the Tax Levy

January 20, 2012



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Key Variables

Equalized
Property
Value

Equalized
Aid

Revenue
Limits

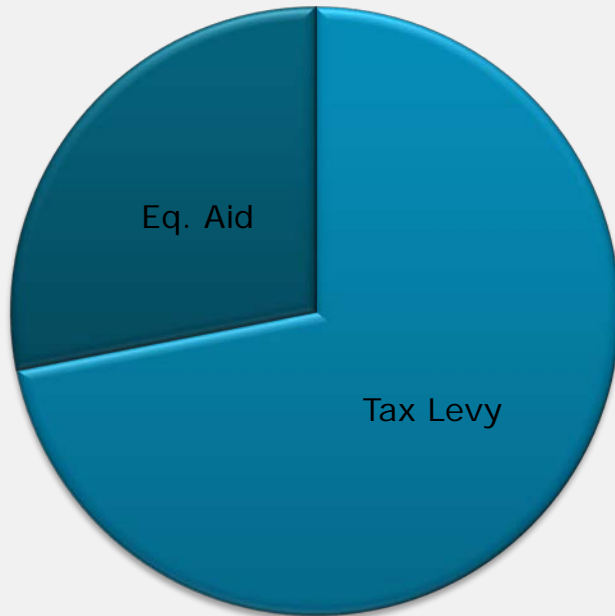
Debt
Service

Levy

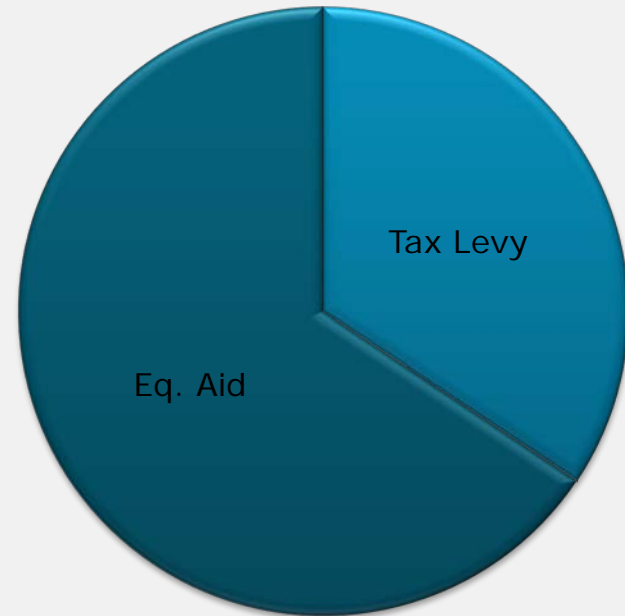
Mill Rate

Composition of a School-Based Tax Levy Revenue Limit

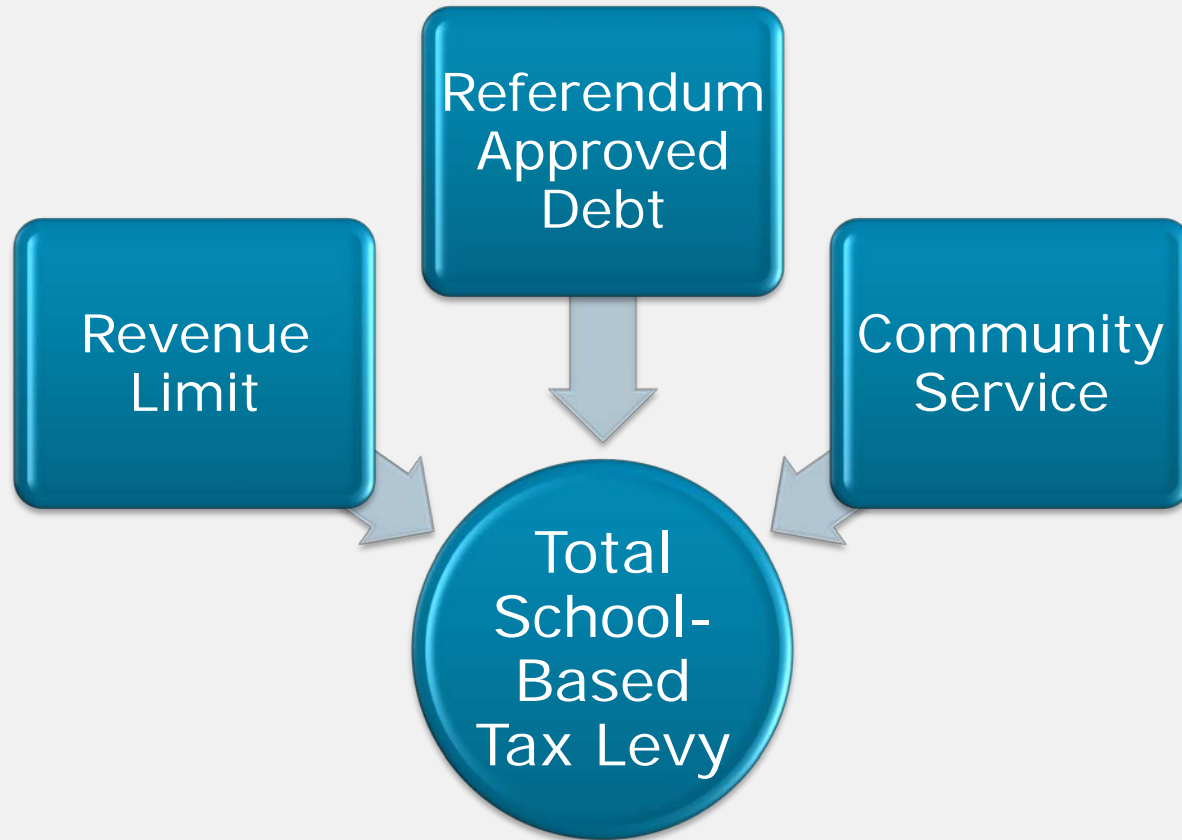
**Revenue Limit Composition
District 1**



**Revenue Limit Composition
District 2**



Composition of a School-Based Tax Levy



Calculating the Mill Rate



Causes for Levy Fluctuations

- Increase / Decrease in Revenue Limit Authority
 - Student Count
 - Dollars Received Through Exemptions
 - Operational Referendum Dollars
 - Declining Enrollment
 - Energy Efficiency Exemptions
- Equalization Aid
- Referendum Approved Debt Payment Schedules
- Equalized Value Fluctuations

Under Levy Trend Revenue Limit

2008-09

- Over 60 Districts
- Amounts ranged from \$1 to \$5,142,387
- Totaled over **\$19 million**

2009-10

- Over 90 Districts
 - 30 in Both Years
- Amounts ranged from \$1 to \$7,900,879
- Totaled over **\$59 million**

2010-11

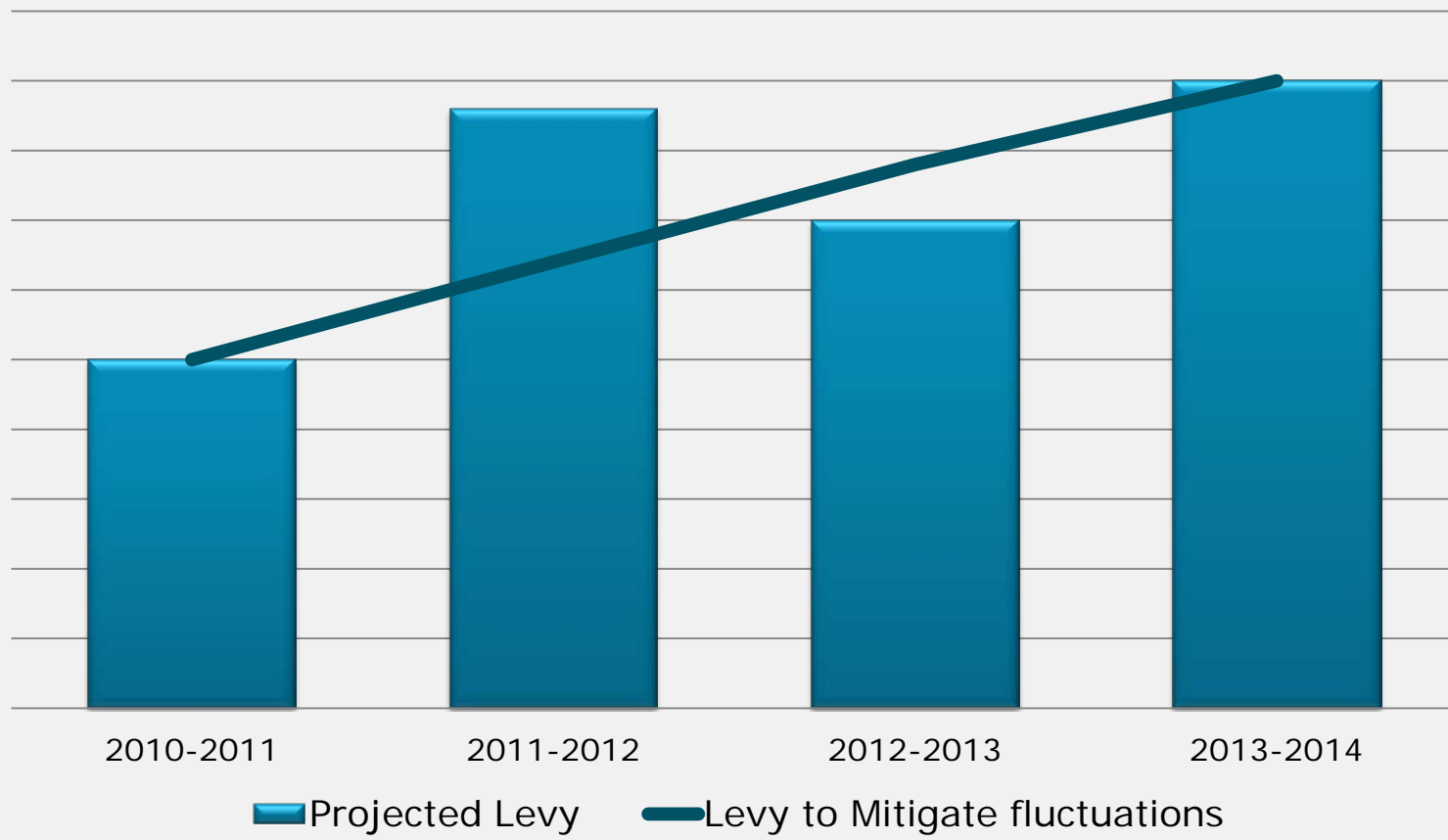
- Over 121 Districts
 - Doubled over 2008-09
- Amounts ranged from \$1 to \$10,060,057
- 73 districts under levied \$100,000 or more
- 18 districts under levied \$1 million or more
- Totaled over **\$70 million**

2011-12

- About 75 districts
- Amounts ranged from \$1 to \$12,270,162
- 47 under levied \$100,000 or more
- 14 under levied \$1 million or more
- 2 under levied over \$10 million
- Totaled over **\$61 million**

Source: Department of Public Instruction (DPI).

Mitigating Large Fluctuations



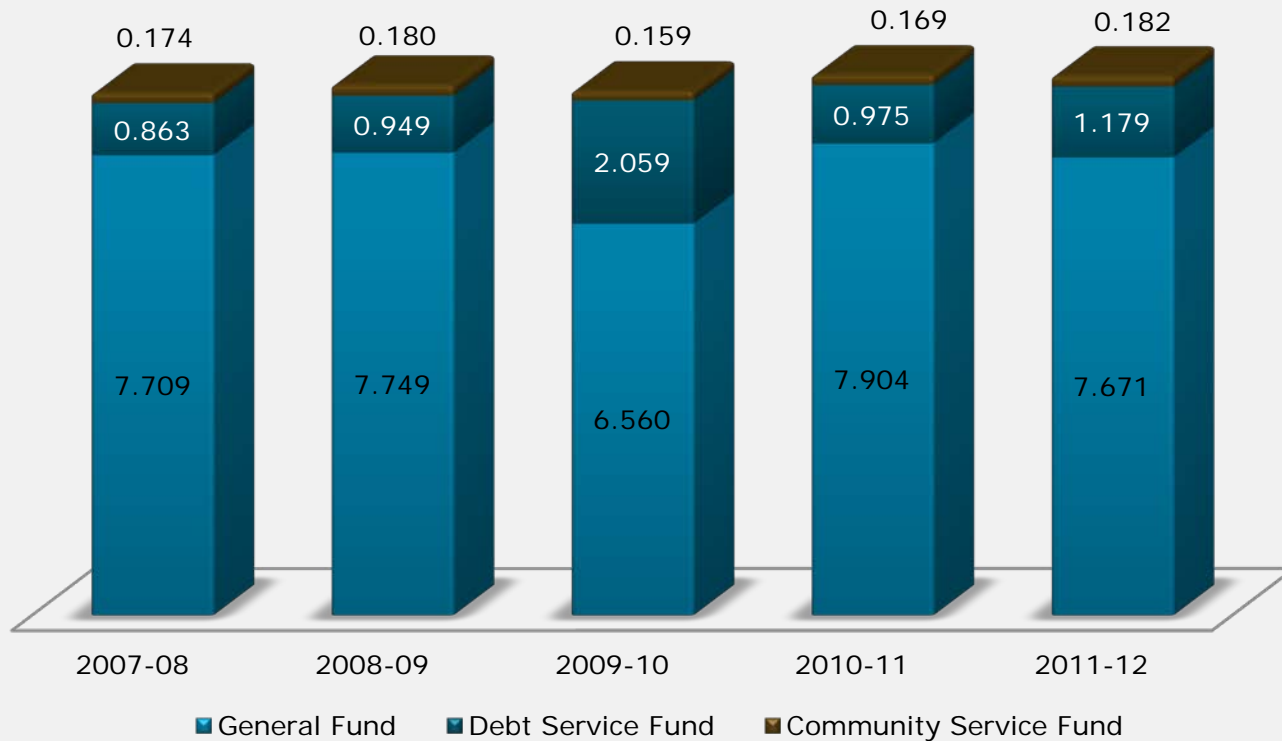
Advantages of Multi-Year Planning

- Analyze financial impact of current-year decisions
 - Equalization Aid
 - Fund Balance
 - Tax levy
- Anticipate fluctuations and identify opportunities
- Communication tool for stakeholders

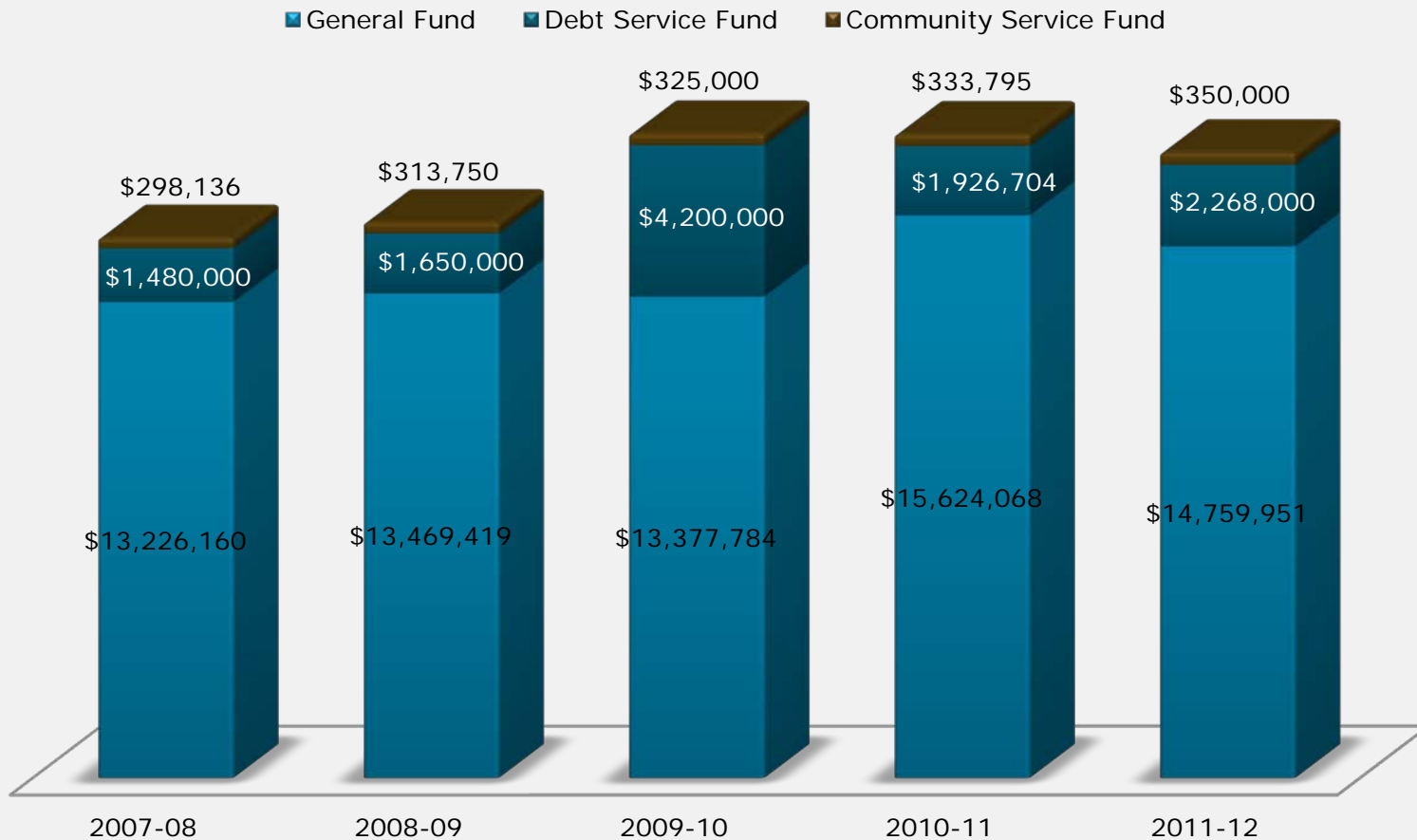
Ashwaubenon Example Background Information

- Large TIF District closure
- Property Value increase with one year delay in Equalization Aid reduction
- Result in a one-year drop in mill rate
- Following year mill rate will bounce back to previous level
- Will taxpayers remember the rate drop from previous year?
- Opportunity to defease (prepay) some debt and stabilize the mill rate by increasing Debt Service Fund levy
 - Save interest on debt
 - Save State Equalization Aid (for Negative tertiary Aid districts) if aid loss is significant enough to invoke Aid Hold Harmless provision
 - Reduce future Debt Service levy needs

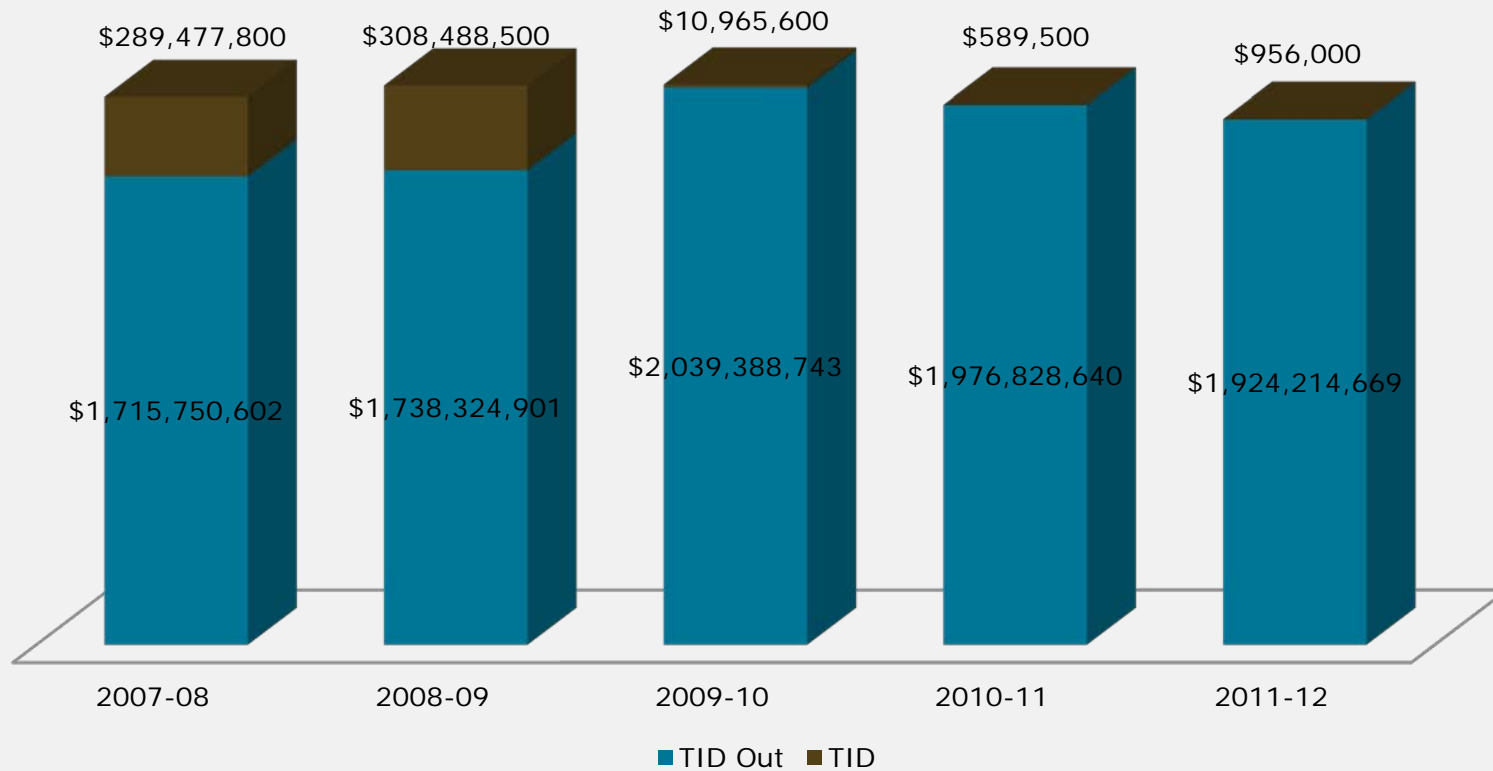
Ashwaubenon Example Mill Rate



Ashwaubenon Example Levy



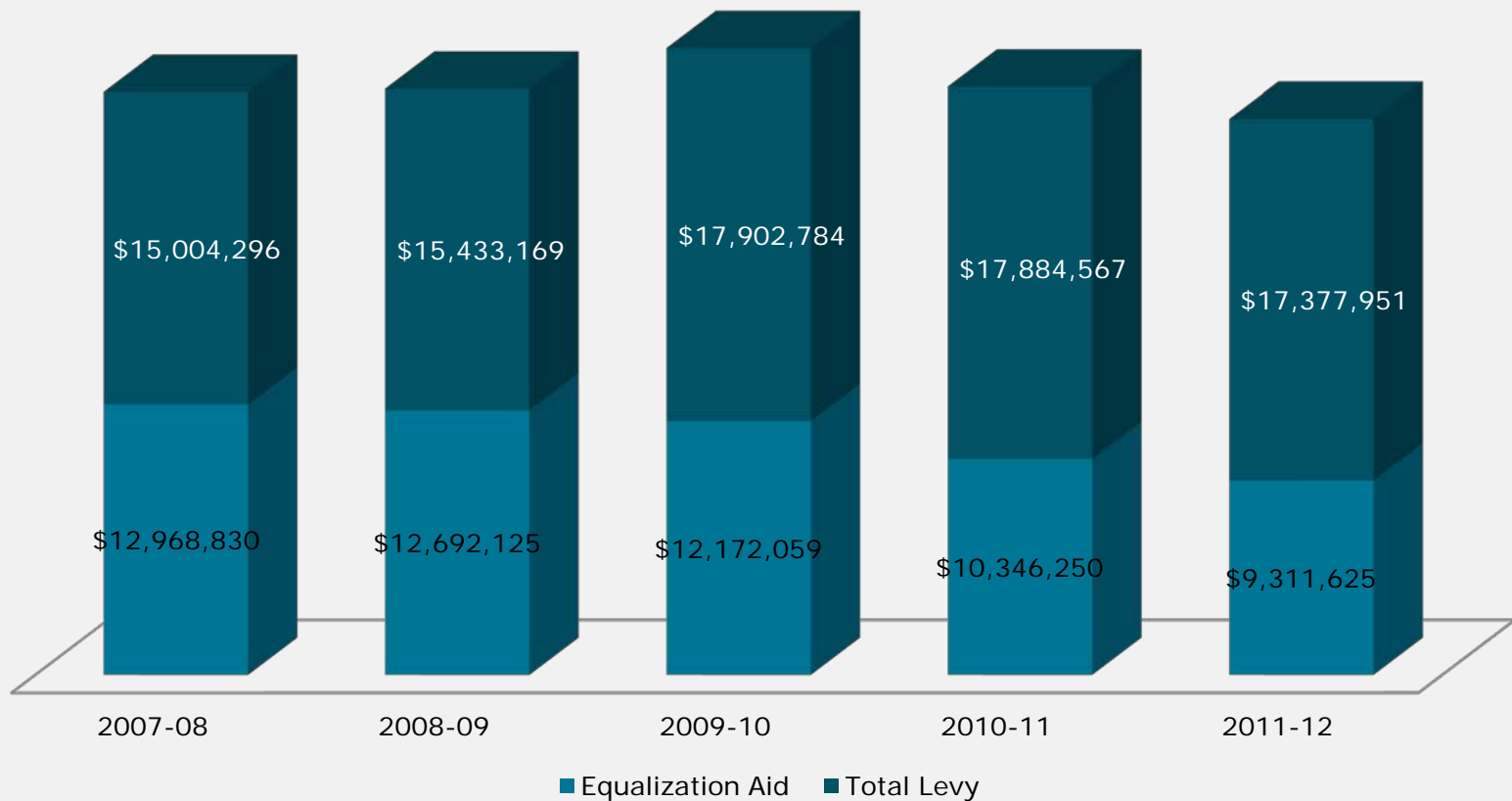
Ashwaubenon Example TID Retirement



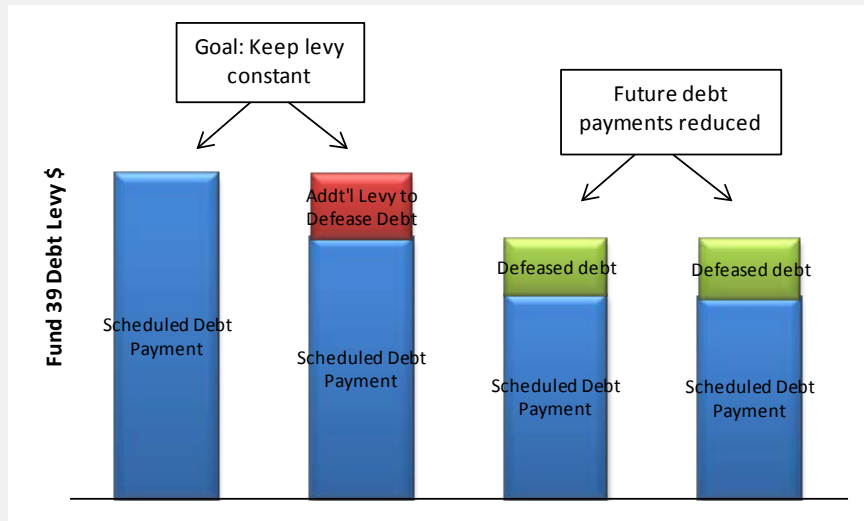
Values shown represent district Equalized Property Valuation



Ashwaubenon Example Revenue



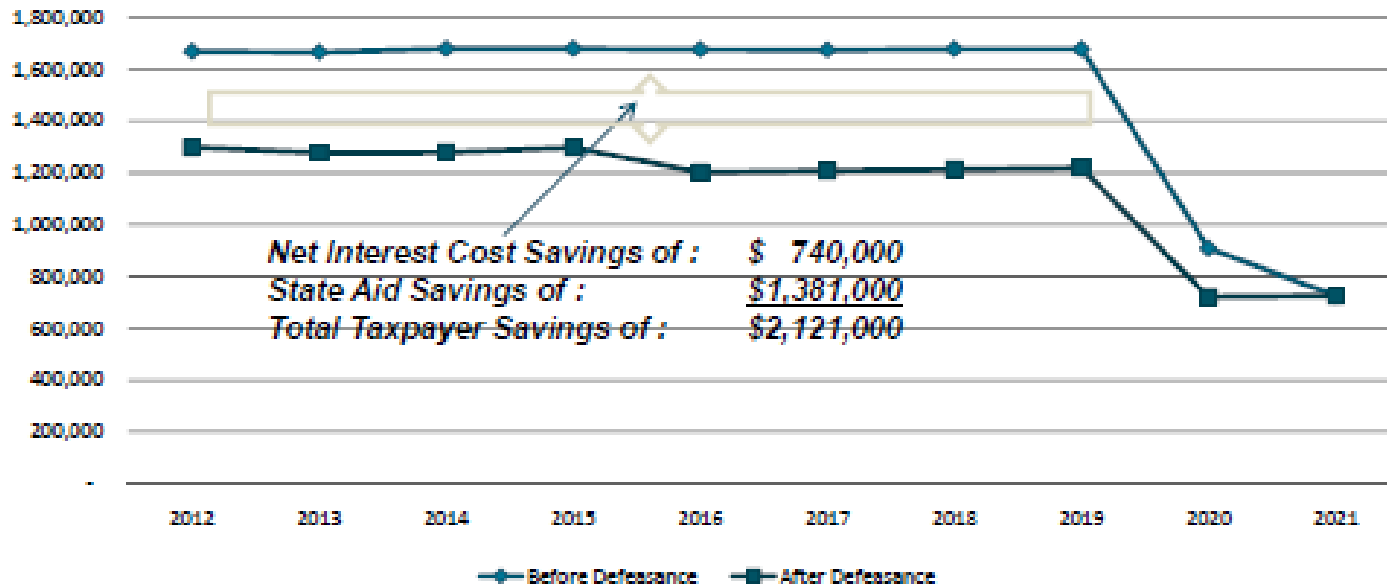
Identifying Opportunities Cash Defeasance



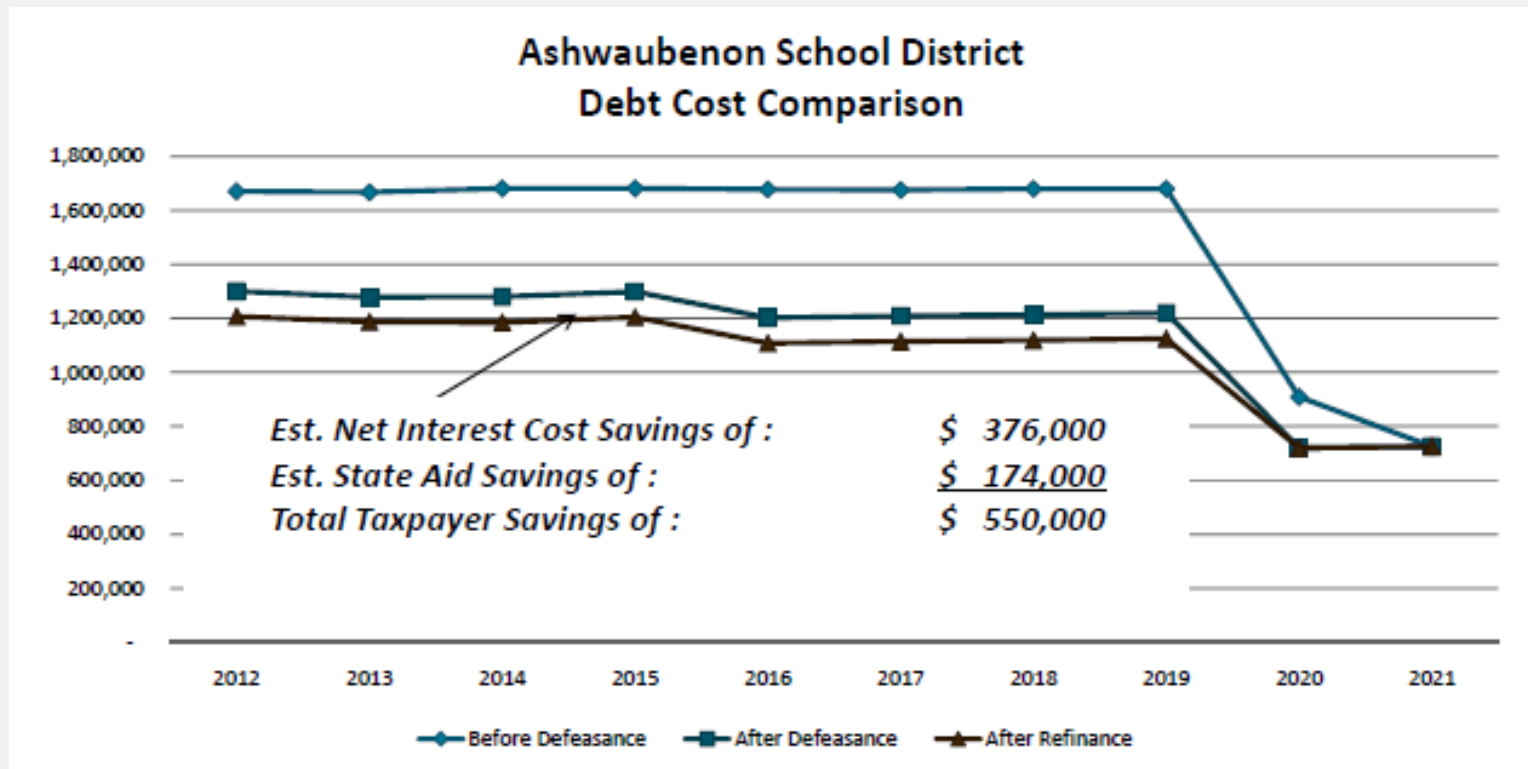
- ✓ Maintain a stable levy
- ✓ Use excess funds to payoff future debt
- ✓ The additional amount for the defeasance would be included in a district's annual tax certification or budget adoption

Identifying Opportunities Restructure Debt

Ashwaubenon School District Debt Cost Comparison



Identifying Opportunities Restructure Debt



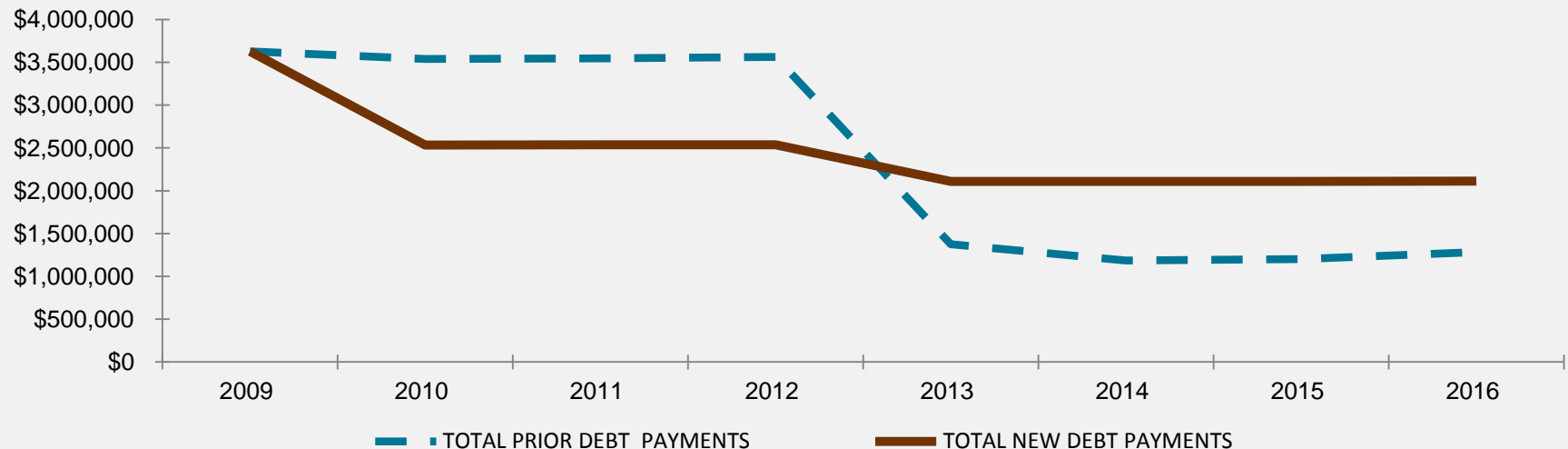
Identifying Opportunities Use of Debt Service or Community Service Fund Balance

	Budget	Projected	Projected	Projected
TAX LEVY:	'11-'12	'12-'13	'13-'14	'12-'13
TOTAL FUND 10 LEVY	\$6,213,445	\$6,583,921	\$6,512,259	\$6,584,521
Plus: FUND 39 LEVY	\$467,794	\$465,263	\$466,988	\$465,263
Less: FUND 39 LEVY OFFSET	\$0	\$0	\$0	\$0
Less: FUND 39 LEVY OFFSET	\$0	\$0	\$0	\$0
Plus: NEW FUND 39 LEVY	\$0	\$0	\$0	\$0
Plus: FUND 38 LEVY	\$283,626	\$288,240	\$183,904	\$288,240
Less: FUND 38 LEVY OFFSET	\$0	\$0	\$0	\$0
Plus: NEW FUND 38 LEVY	\$0	\$0	\$0	\$0
Plus: FUND 41 LEVY	\$0	\$0	\$0	\$0
Plus: FUND 80 LEVY	\$400,000	\$400,000	\$400,000	\$150,000
Chargeback Levy	\$0	\$0	\$0	\$0
TOTAL LEVY	\$7,364,865	\$7,737,424	\$7,563,151	\$7,488,024
% Increase (decrease) over previous FY	8.79%	5.06%	-2.25%	1.67%
TOTAL TAX RATE PER \$1,000 EQUALIZED VALUE	\$8.89	\$9.33	\$9.12	\$9.03

- Generally one-time opportunity
- Decreases Levy needed in fund(s) outside of the revenue limit
- Plan for future years when opportunity unavailable

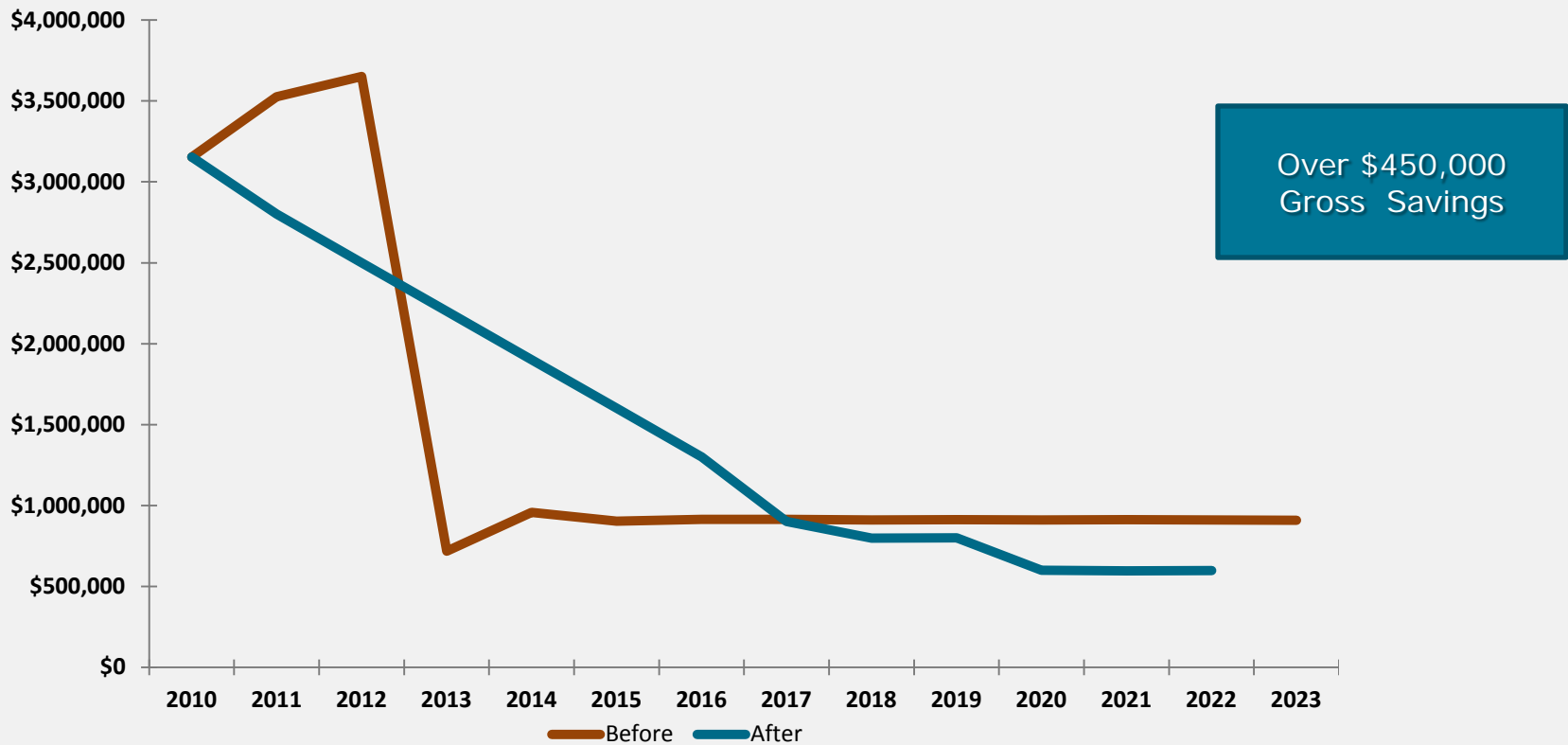
Identifying Opportunities Restructure Debt

- Refinance debt to make payments lower in earlier years
- Create a drop off in debt earlier
- Interest rate market favorable



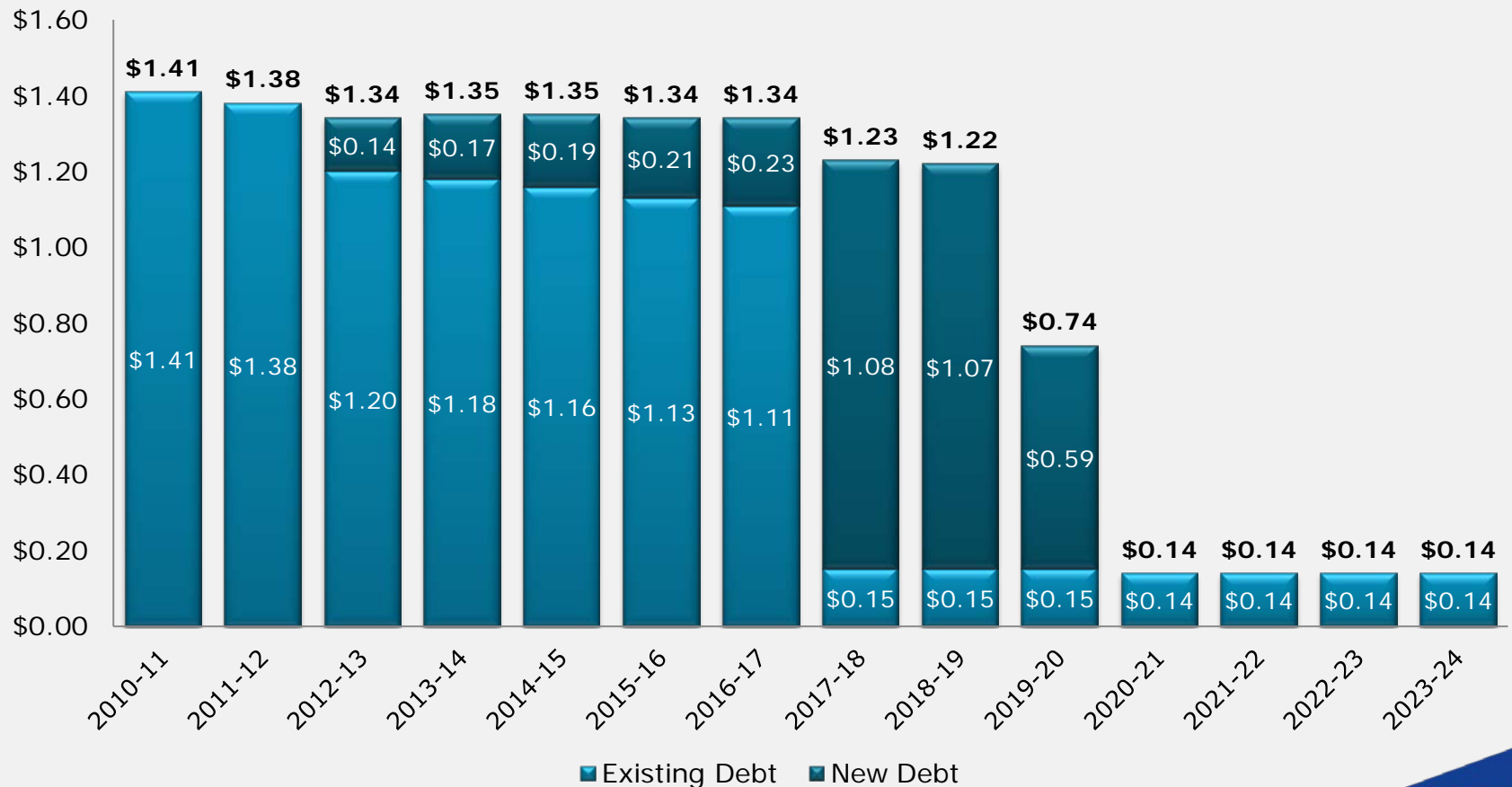
The hypothetical example is for illustrative purposes only.

Restructure/Savings Option (Fund 39)

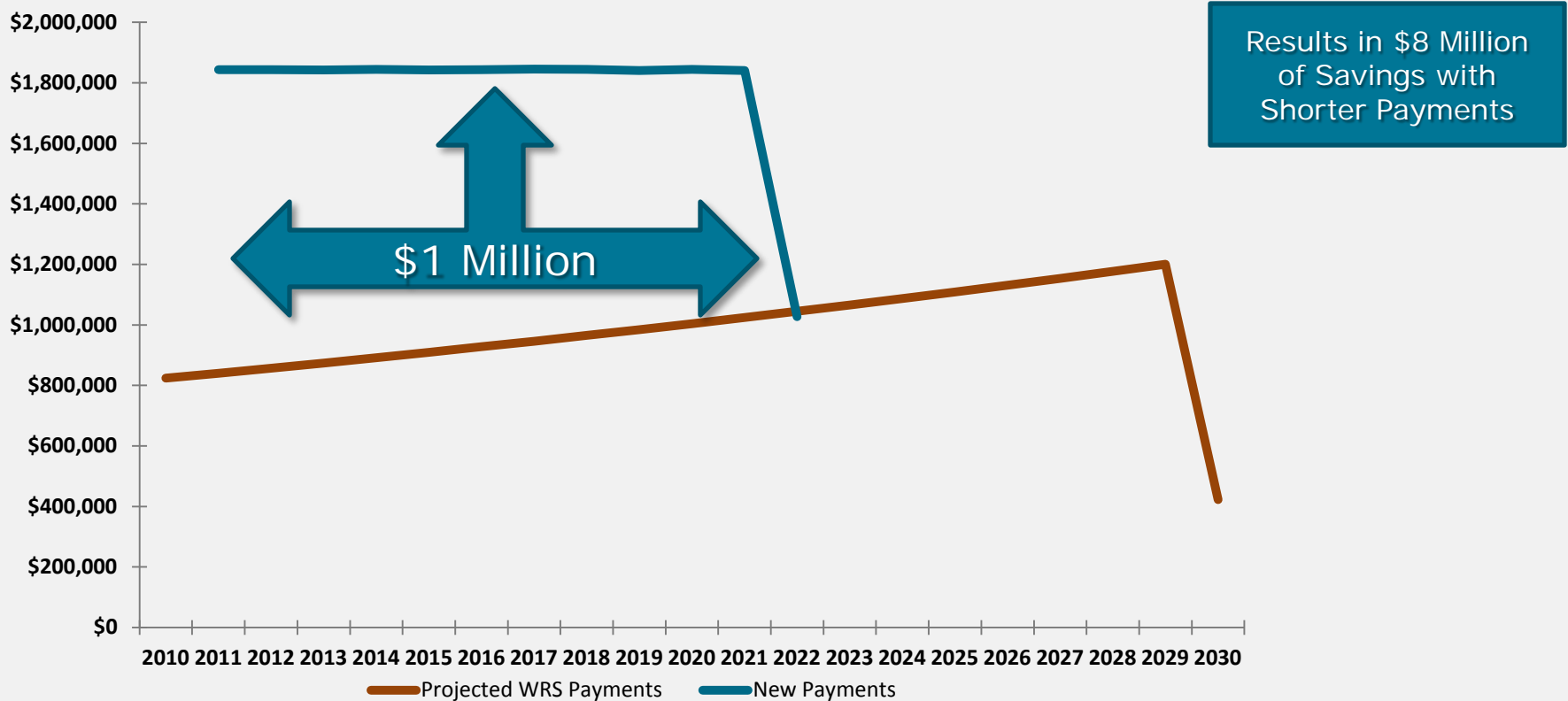


For illustrative purposes only and should not be considered a recommendation; would not be suitable for all situations.

Identify Opportunities Issuing New Debt

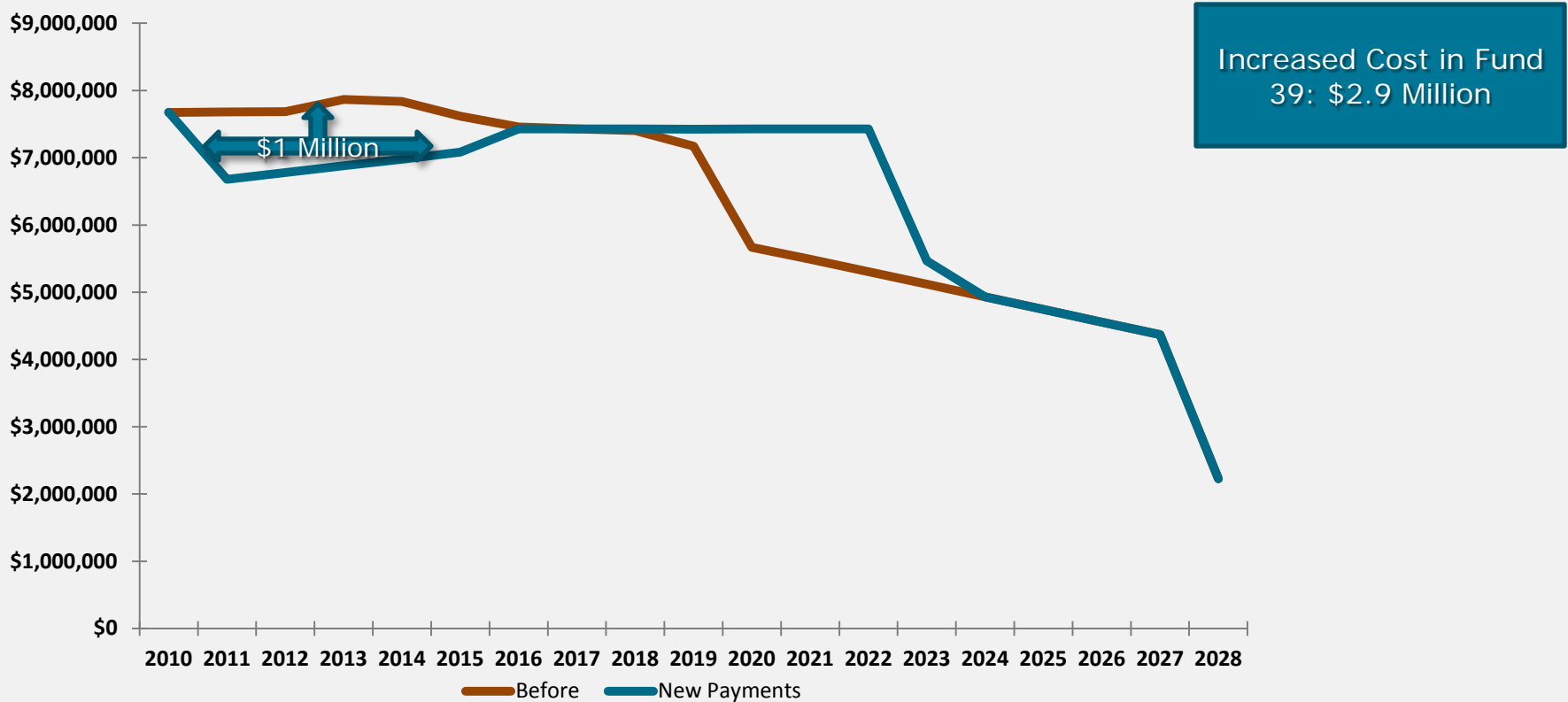


Recapture Under Levy for Debt Savings Fund 38 Portion (Part 1)



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Recapture Under Levy for Debt Savings Fund 39 Portion (Part 2)

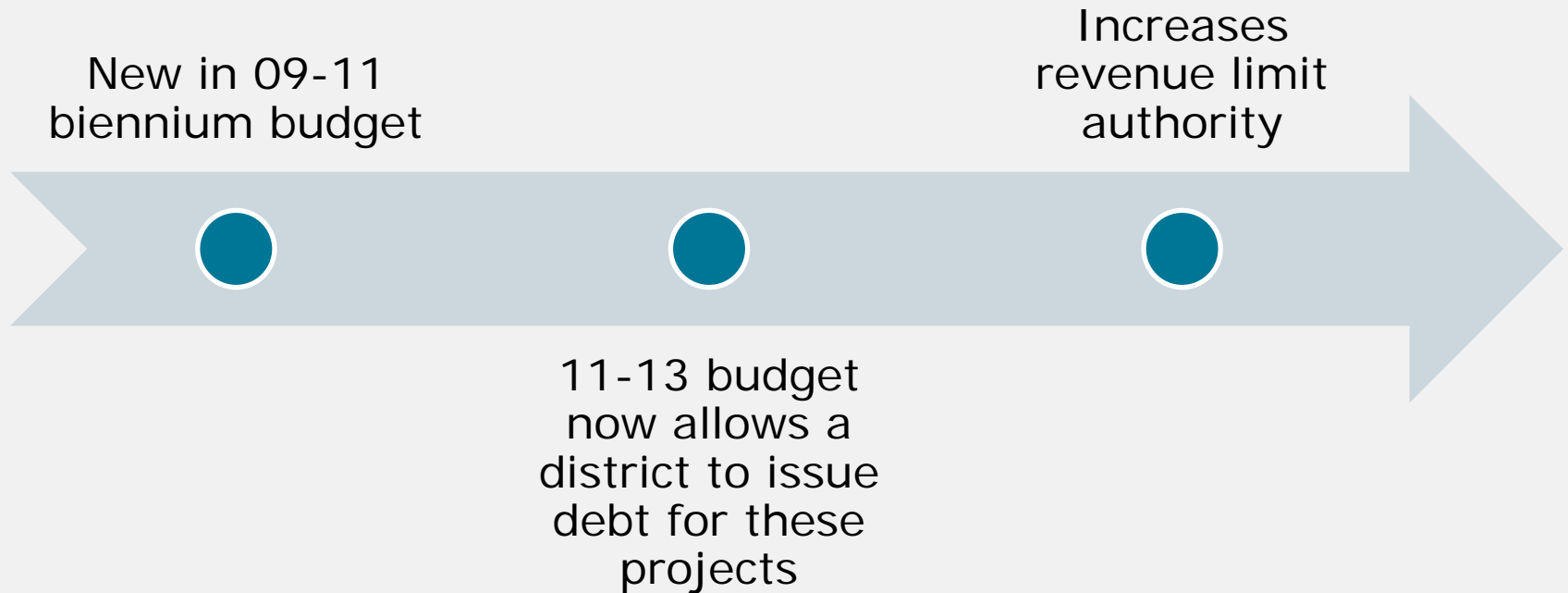


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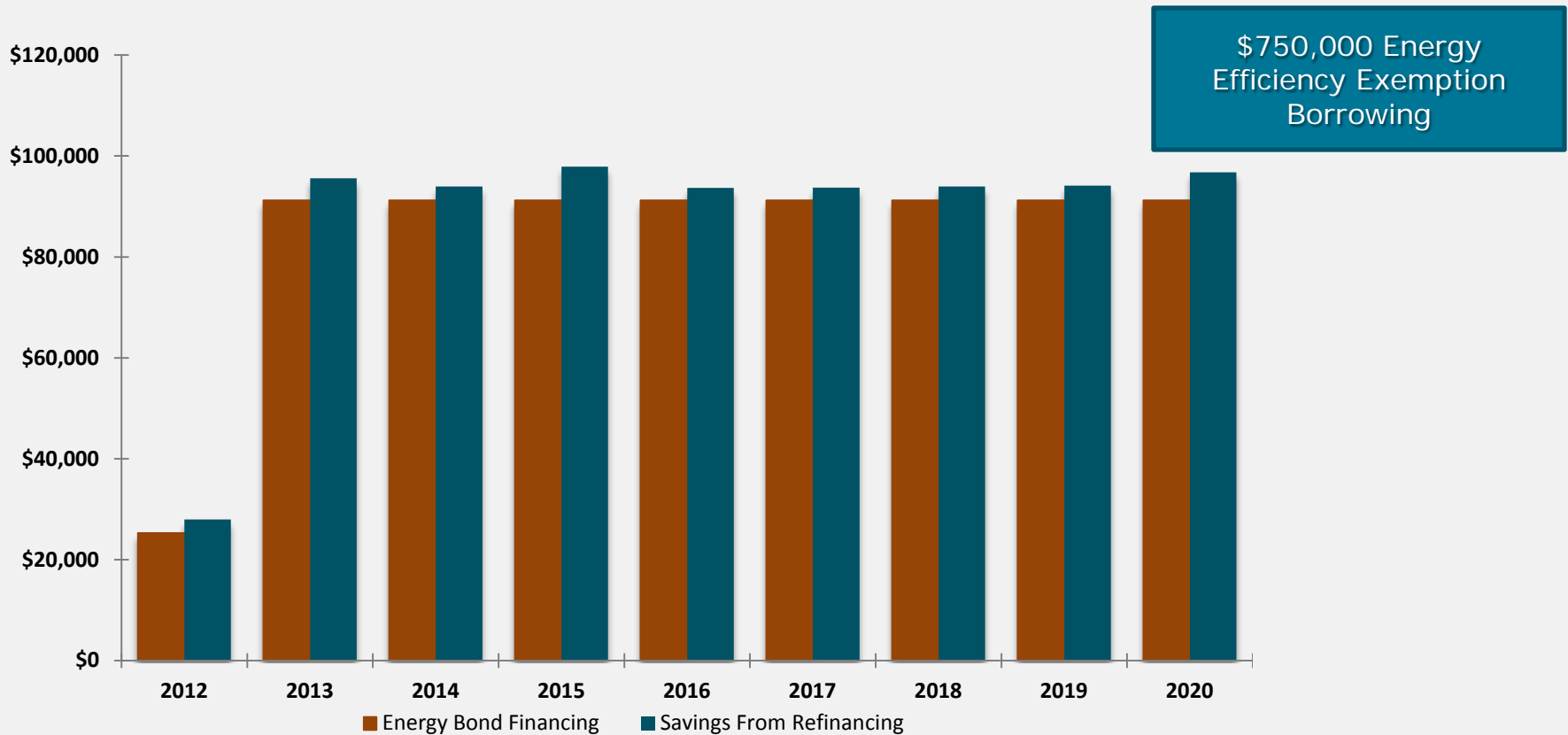
Revenue Limit Exemption Background

- 2009 Wisconsin Act 28, the 2009-11 biennial budget bill, created a revenue limit exemption that allows a school district to increase its revenue limit by the amount spent by the school district in that school year on energy efficiency measures, and renewable energy products, that result in the avoidance of, or reduction in, energy costs
- 2011 Wisconsin Act 32 modified this law
- Under current law, a district may adopt a resolution to increase its revenue limit by the amount spent by the school district in that school year on a project to implement energy efficiency measures or to purchase energy efficiency projects, including the payment of debt service on bonds or notes issued to finance the project if:
 - The project results in the avoidance of, or reduction in, energy costs or operational costs
 - The project is governed by a performance contract entered into under s. 66.0133
 - The bonds or notes issued to finance the project, if any are issued for periods not exceeding 20 years

Identifying Opportunities Energy Efficiency Exemption

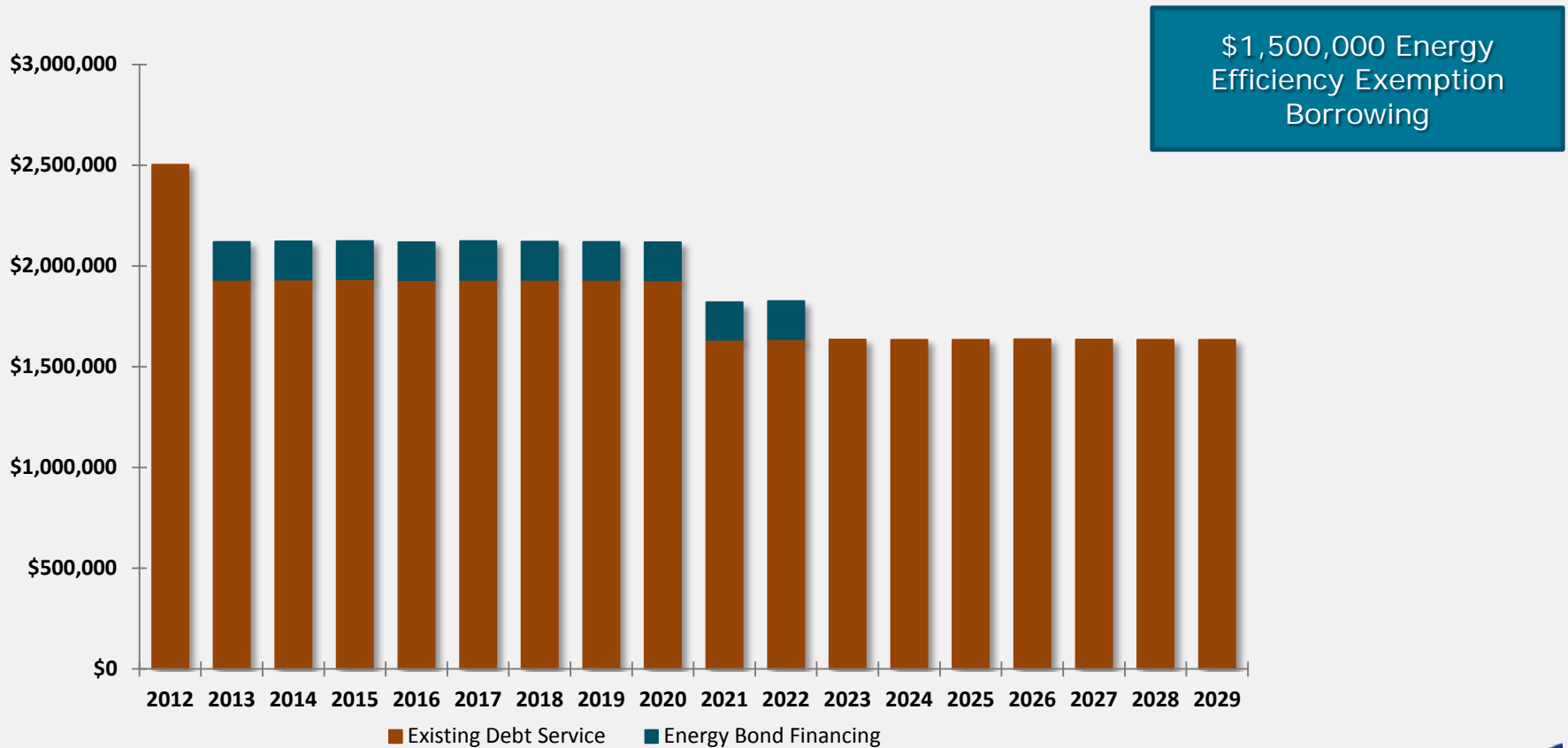


Energy Efficiency Exemption Matching Refinancing Savings



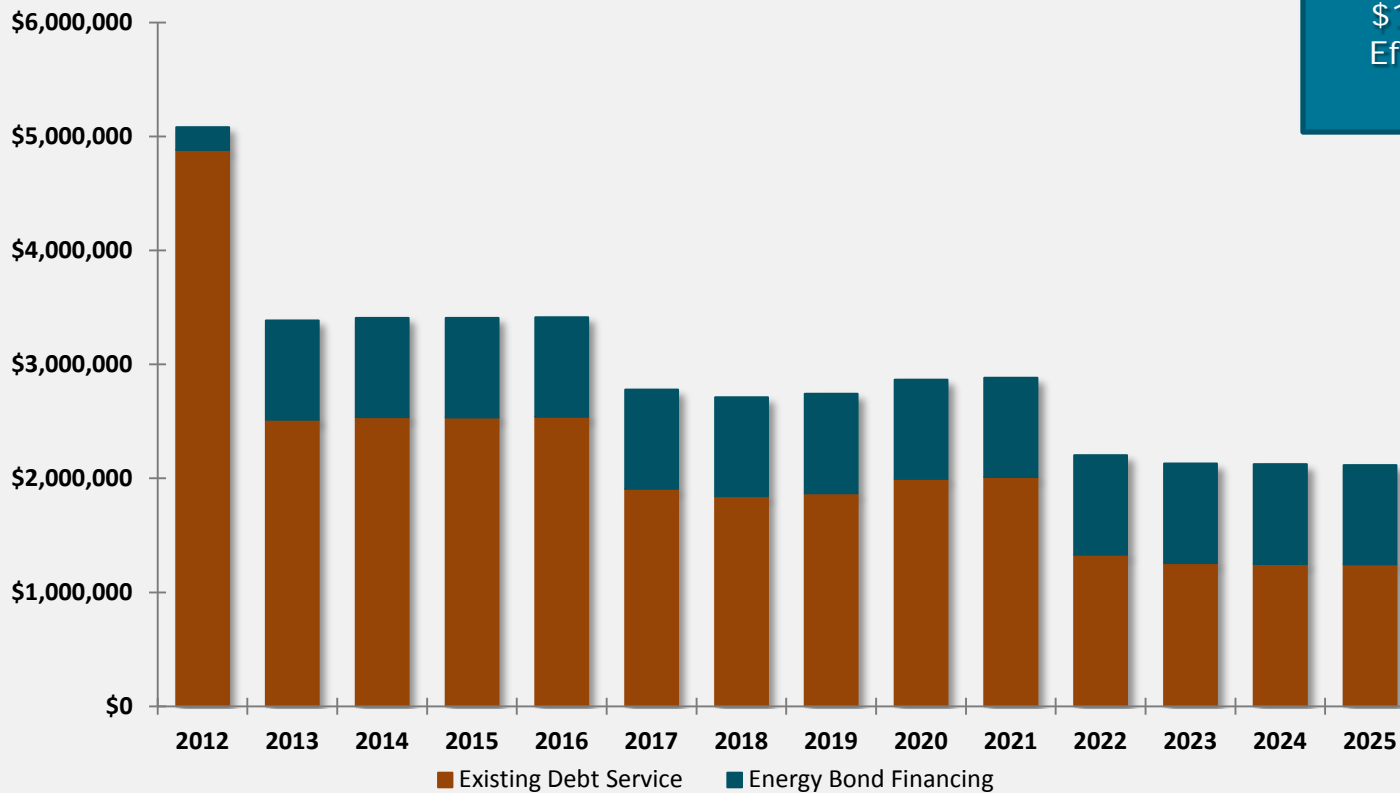
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Energy Efficiency Exemption Fund 39 Drop



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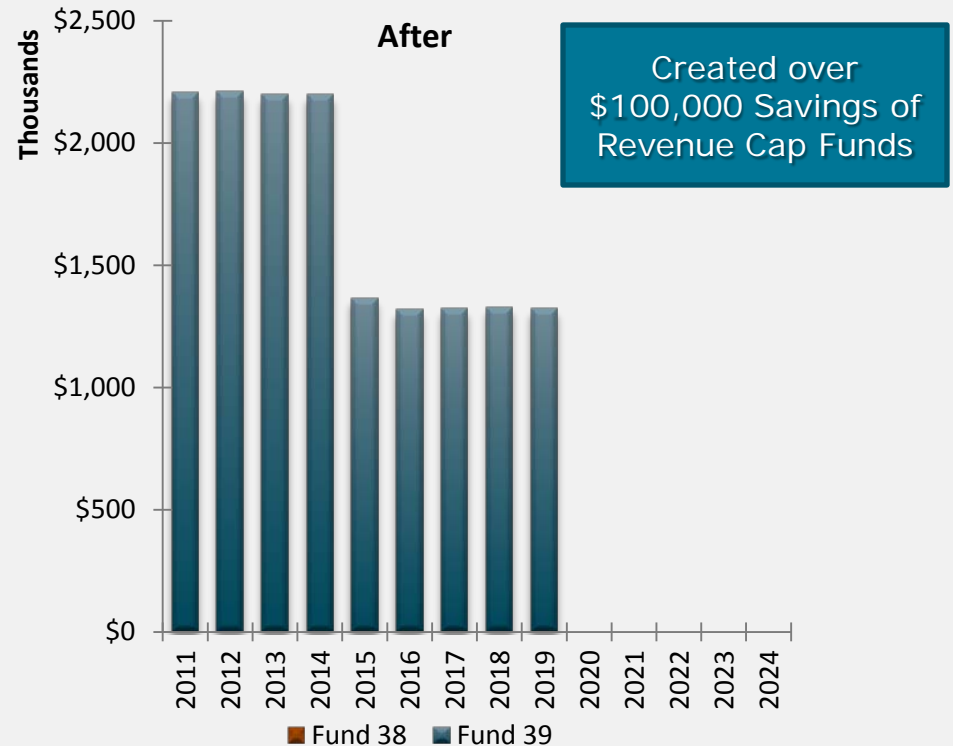
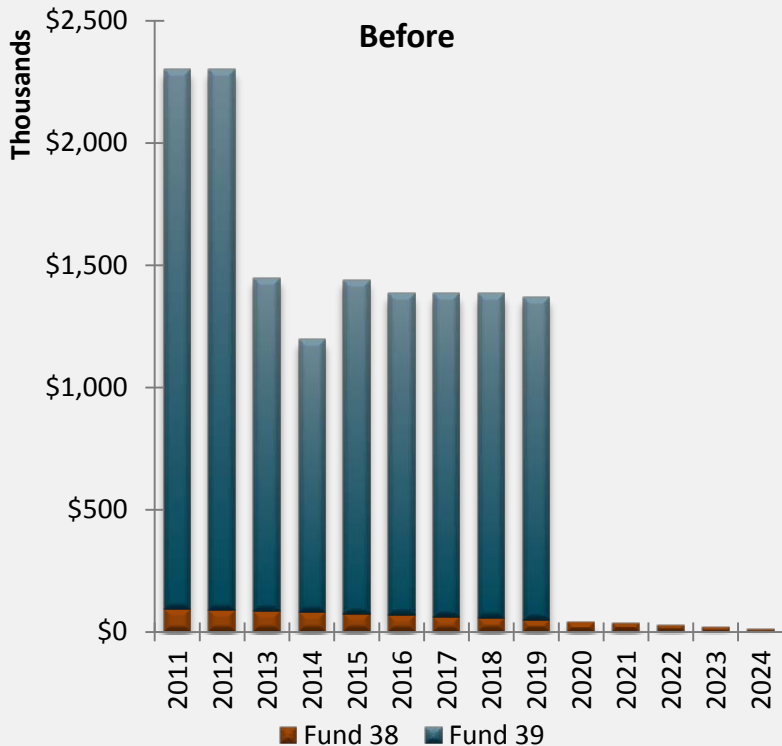
Energy Efficiency Exemption Fund 39 Drop



\$10,000,000 Energy Efficiency Exemption Borrowing

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Fund 38 to Fund 39 Option



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