

School District of Holmen

REFERENDUM 2018

- HHS Improvement Projects
- HHS Operational & Maintenance Costs

QUESTIONS AND ANSWERS

As of October 10, 2018

(Italicized text was added or amended per the date indicated)

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SECTION I - GENERAL INFORMATION ON THE REFERENDUM QUESTIONS

A. Would the school portion of my property tax bill go up if the November referendum does pass?

No, the approval of the referendum questions will **not result in a net increase in the current school property tax rate**. The passage of the referendum questions does have a property tax implication. However, the district has in place a long-range financial plan that allows this impact to be fully offset by other school property tax reductions. These offsetting reductions come from a drop in property taxes used to fund: the two-year safety/security referendum and existing debt payments. The existing debt, like a home mortgage, was created when we borrowed money to build schools for increasing student enrollment. That debt is becoming less in upcoming years.

B. Why are we having this referendum?

Under state law, the school board is required to get permission from the voters, in a referendum, to increase its revenue. The district does not have the money needed to continue current operations, while adding the new cost of \$23,500,000 in construction and the \$460,000 per year to operate and maintain the new facility. To meet these costs, the district will need additional money.

In a 2012 report, it was recognized that there were non-instructional capacity needs at Holmen High School (HHS). While these needs are important, we did not have the ability to fund these needs with no tax rate increase until 2017. In 2017, it was determined that the safety/security needs of our district had to be placed ahead of these non-instructional capacity needs at HHS. The funding of the safety/security

projects is behind us. Now we are able to present a solution to the non-instructional space needs at HHS with no net increase in the current school property tax rate.

C. We had a referendum for more money in 2017, why another in 2018?

The referendum in 2017 allowed more money to address safety and security measures and HHS Site Development. The wording of the 2017 referendum limits the use of the money raised to those specific purposes. Therefore, the 2017 referendum dollars may not be used to fund the projects presented for approval in the 2018 referendum.

D. Could some of these projects be deferred to a future date?

Yes, any project can be delayed. In fact, this project has been delayed since 2012 and parts of the project even longer. Delaying the project is inconsistent with the ongoing high expectations of our community. The referendum will ensure the HHS building continues to support the highest level of service to our students, community and staff. The ability of HHS to serve will become increasingly stressed in the near future. This upcoming stress arrives as current larger 3rd, 5th, 7th and 8th grade classes progress into HHS, while smaller current classes graduate. As a result, HHS enrollment is projected to increase in the next 5-years, even though district-wide enrollment is projected to remain stable. This is also an optimal time to complete the project because there is no net increase in the current school property tax rate.

E. What funding options did the district consider before going to referendum?

Solutions that did not require additional revenue (modified class schedules, modified furnishings) were identified and implemented. Many other identified needs have been addressed with the existing operational budget. However, the needs addressed by this referendum exceed the capacity of the current operational budget. In response to these needs, the Buildings and Grounds Committee developed and evaluated eight (8) construction/remodeling alternatives advancing a recommendation to the School Board for review. The board then developed a solution that most fully addressed the needs while avoiding higher cost options.

F. How do you prioritize the district's capital needs?

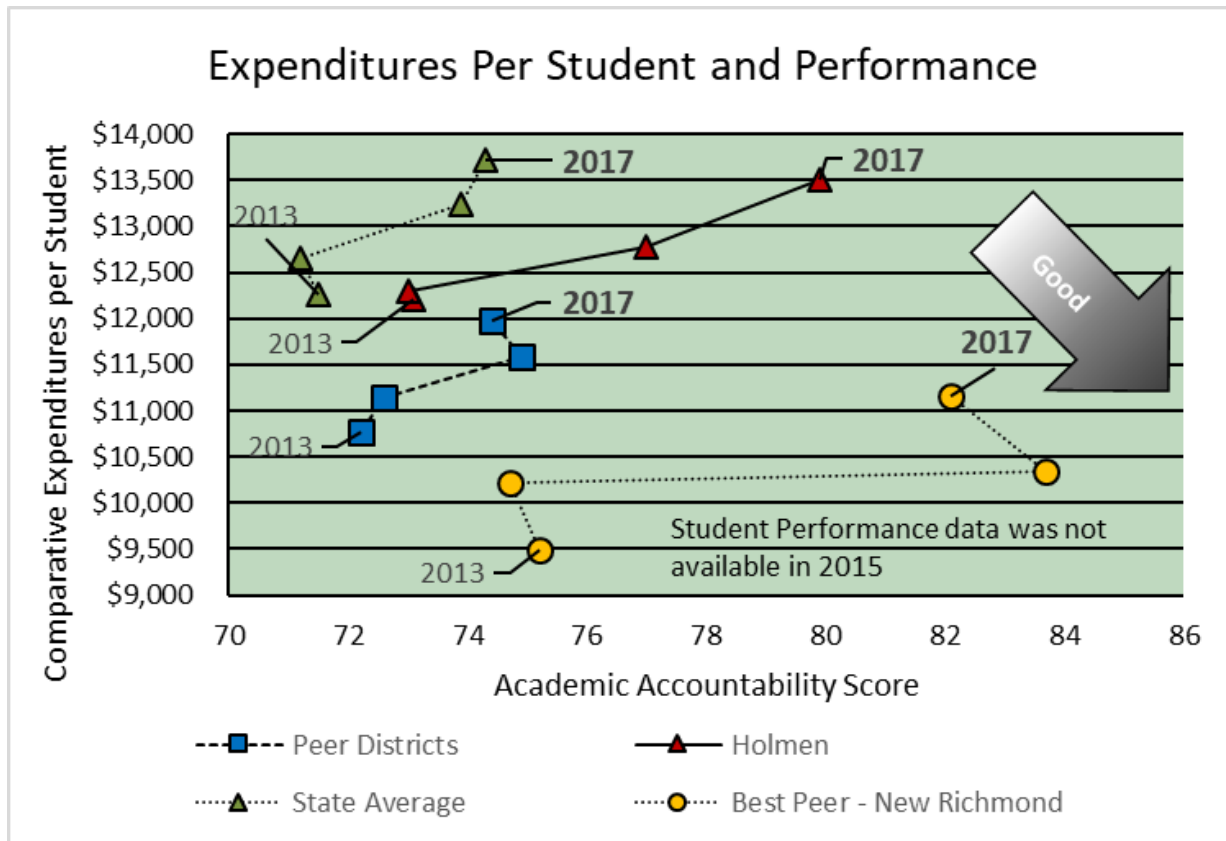
Annually, the high school administration submits un/underfunded needs for the high school in September as part of the budget development process. This past September, the high school's list of needs ranked at the top of the District's prioritized list, with the majority of these needs being facility needs. A full list of District un/underfunded needs was presented to the School Board on October 23, 2017.

Further analysis was completed on the immediate needs identified. Administration and the HHS Facilities Committee broke down the 39 needs identified into four areas: circulation space, core facilities, support spaces, and instructional spaces. From there, needs were categorized as immediate or pending. Immediate needs were those the HHS Facilities Committee felt needed to be addressed first. These needs included: single use restrooms, gymnasium space (curricular and co-curricular), kitchen, physical conditioning center, athletic training room, locker/shower room, storage, ventilation in specific areas, concession area, school store, and location of instructional areas. Pending needs are those that need to be addressed, but are not as pressing as the immediate needs. These included: music, student services, large group and flexible instruction, career technology education (CTE) areas, LMC, lab space, fine arts center, and student dining/commons.

G. Why not meet the financial needs with improvement to efficiency?

School District of Holmen expects and consistently delivers high quality outcomes. The quality of these outcomes is confirmed by comparison of student learner outcomes of our peer districts. The district also

measures our student learner outcomes relative to how much we spend. This measure of productivity is also compared to our peer districts. The School District of Holmen's productivity is consistently near the top of our peer districts. This high performance is the result of ongoing efforts by the school board, administration, and staff to find the most efficient way to do business.



SECTION II - FINANCIAL INFORMATION

H. What is the impact going to be for each taxpayer for each referendum question and in total?

Approval of the referendum questions will **result in no net increase in the current school property tax rate**. The passage of the referendum questions does have a property tax implication. However, the district has in place a long-range financial plan that allows this impact to be fully offset by other school property tax reductions. These offsetting reductions come from a drop in property taxes used to fund: the two-year safety/security referendum and existing debt payments. The existing debt, like a home mortgage, was created when we borrowed money to build schools for increasing student enrollment. That debt is becoming less in upcoming years.

Below is a tax rate (Mill Rate) impact table. The table identifies the Mill Rate for each of the existing and potential items that affect the Mill Rate. Notice too, the "Combined Mill Rate Est." at the right side of the table. This projected Mill Rate does not increase above the \$2.79 rate in 2017. The last column shows the difference between the current and projected Mill Rate to be \$0 in the event the referendum questions pass.

School District of Holmen
EXAMPLE REFERENDUM MILL RATE IMPACT

LEVY YEAR	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	PROJECTED	PROJECTED	POTENTIAL	PROJECTED	PROJECTED	PROJECTED
	FUND 39 DEBT SERVICE	TECHNOLOGY NR OVERRIDE	SAFETY NR OVERRIDE	HIGH SCHOOL MAINTENANCE NR OVERRIDE	RR	COMBINED	IMPACT OF REFERENDUM QUESTION #1 \$23.5M Debt	IMPACT OF REFERENDUM QUESTION #2 \$460,000 / Yr	TBO 2019 TECH SUCCESSION REFERENDUM	IMPACT OF STATE AID COMPARED TO 2017 LEVEL	COMBINED	DIFFERENCE BETWEEN PROJECTED AND 2017 MILL RATE Est.
	MILL RATE Est.	MILL RATE Est.	MILL RATE Est.	MILL RATE Est.	MILL RATE Est.	MILL RATE Est. (A+B+C+D+E)	MILL RATE Est.	MILL RATE Est.	MILL RATE Est.	LEVEL	MILL RATE Est. (F+G+H+I+J)	(K - \$2.79)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(K - \$2.79)
2017	\$0.94	\$0.40	\$0.69	\$0.55	\$0.20	\$2.79				\$0.00	\$2.79	\$0.00
2018	\$1.24	\$0.37	\$0.98		\$0.19	\$2.79				\$0.00	\$2.79	\$0.00
2019	\$1.30				\$0.19	\$1.49	\$1.06		\$0.25	(\$0.01)	\$2.79	\$0.00
2020	\$1.23				\$0.18	\$1.42	\$0.90	\$0.25	\$0.25	(\$0.03)	\$2.79	\$0.00
2021	\$1.27				\$0.18	\$1.45	\$0.82	\$0.25	\$0.24	\$0.02	\$2.79	\$0.00
2022	\$1.29				\$0.18	\$1.47	\$0.81	\$0.24	\$0.24	\$0.02	\$2.79	\$0.00
2023	\$1.29				\$0.17	\$1.46	\$0.85	\$0.24	\$0.23	\$0.00	\$2.79	\$0.00
2024	\$0.81				\$0.17	\$0.98	\$1.60	\$0.23		(\$0.02)	\$2.79	\$0.00
2025					\$0.17	\$0.17	\$1.81	\$0.23		(\$0.05)	\$2.16	(\$0.63)
2026					\$0.16	\$0.16	\$1.78	\$0.22		\$0.14	\$2.30	(\$0.49)
2027					\$0.16	\$0.16	\$1.74	\$0.22		\$0.13	\$2.26	(\$0.53)
2028					\$0.16	\$0.16	\$1.71	\$0.22		\$0.13	\$2.21	(\$0.58)
2029					\$0.15	\$0.15	\$1.68	\$0.21		\$0.13	\$2.17	(\$0.62)
2030					\$0.15	\$0.15	\$0.21	\$0.21		\$0.13	\$0.48	(\$2.31)

Tax Rates shown here are limited to those with a defined end date (Existing Debt, Non-Recurring 2016 Referendum and Non-Recurring 2017 Referendum) except the 2017 "MAINTENANCE RR OVERRIDE".
 Projected Tax Rates based on a 2% annual growth in Equalized Valuation (TID-out).
 Projected Tax Rates based on continuation of current state funding levels (column "I") on a shared cost.
 "NR" = Non-Recurring Revenue Limit Exemption
 "RR" = Recurring Revenue Limit Exemption

(the above table was updated 10/10/18)

I. How can the November referendum generate more money, but have no net effect on the tax rate?

Passage of the referendum questions does have a school property tax rate effect. However, because the district has in place a long-range financial plan, the referendum tax rate effect would be fully offset by other school property tax reductions. These offsetting reductions come from a drop in property taxes currently used to fund: the two-year safety/security referendum and existing debt payments.

J. Does the Long-Term Debt Defeasance and Levy Reduction allow the district to responsibly plan for debt associated with future school construction?

Yes, the district has planned for the funding of school facilities *beyond this referendum proposal. This planning for future facilities is part of our* long-range financial plan. This being said, *the 2017 enrollment projects do not call for enrollment driven* school construction projects in *the* near or long-term. If facility needs should emerge before currently outstanding bonds are retired, the district would restructure its bond-funding schedule. This would defer the tax rate impact of existing debt and allow for funding of additional school construction bonds with no tax rate increase. Restructuring the bond payment schedule is made possible by the district's relatively aggressive approach to paying off its bond debt and conservative assumptions on tax base growth in the community. *(Italicized text was added or amended 9/28/18)*

K. Does the board/district have a policy of keeping the tax rate relatively steady to avoid big swings, especially big upward swings when a new building is needed?

The steady tax rate philosophy has been a long-standing fiscal management practice of the School District of Holmen school board. On May 23, 2011, the school board took formal action on this tax rate philosophy.

This philosophy requires the board to purposefully plan and manage debt and operational referendum taxation. Looking forward, the board manages drops in debt tax rate as an opportunity to fund future debt. This advance funding allows the board to avoid spikes that would otherwise occur in future debt tax rates.

The board also avoids tax rate increases by practicing discipline in the timing of operational questions. While there are many needs deserving operational referendum funding, the board balances presenting these needs to the public with the impact on the tax rate. By carefully prioritizing and sequencing these

needs, the board avoids tax rate increases. The most recent example of this disciplined approach was the safety and security referendum. This need was of the highest priority in 2017 and received referendum approval with no net tax increase. The needs presented in this 2018 referendum were present at the time, but if advanced in 2017, would have increased the tax rate. Using its disciplined planning approach, the board prioritized the safety and security needs and deferred the current referendum needs until timing allowed for no net tax increase.

L. Would the annual school portion of a property tax bill go down if the November referendum does not pass?

The annual school portion of a property tax rate would not go down if the November referendum fails. At the same time, the property tax rate would not go up if the November referendum passes. Pass or fail, the near future tax rate is unaffected. The “long-standing fiscal management practice” described in Question “K” above more fully describes why taxes will not go down if the November referendum does not pass.

M. If my “Yes” or “No” vote is tax rate neutral for the foreseeable future, what does my vote mean as a taxpayer?

Your vote is a choice on each of the two questions to:

Vote “Yes” on the referendum to:

- Pay down future facility construction debt on schedule
- Fund the proposed high school facility addition and remodel
- Fund the operational cost of the proposed high school facility addition

Vote “No” on the referendum to:

- Pay down future facility construction debt soonest, compared to the current schedule
- NOT fund the proposed high school facility addition and remodel
- NOT fund the operational cost of the proposed high school facility addition

N. How would the referendum approved dollars be used?

The table below itemizes use of the dollars requested for approval in the referendum.

High School - Project Costs	Site Construction -Excav/Fill/Utilities/ 150 Cars/Walks/Light/Softball/Landscp	\$940,450
	Building Addition - 71,688 SF	\$15,763,210
	Building Remodeling - 68,115 SF	\$3,060,485
	Contingency - 5%	\$988,207
	Subtotal Construction Cost	\$20,752,352
	AE Fees - 6%	\$1,245,141
	Total Construction Cost	\$21,997,493
Building Contents (FFE)	71,688 SF @ \$20.32/SF	\$1,456,700
Total Project Cost		\$23,454,194
Added SF Annual Operational Costs		
HS Annual Operational Costs	71,688 SF x \$6.36/SF =	\$455,936

* “Building Contents (FFE)” references the cost of furniture, furnishings and equipment

O. If the referendum questions are approved, could the district use the new revenue for other things?

No, under state law the district would be required to use the new revenue only for those purposes presented in the referendum questions.

P. Will covering the cost of the referendum be shared by the state?

Yes, the spending associated with both of the referendum questions is state aid eligible.

Q. What are the costs associated with a referendum?

Direct costs of the referendum are estimated to be \$9,000. Direct cost includes two components: required activities and community information. Required activities costs include: legal review of the referendum questions, ballot space, statutorily required legal notices and election fees. These costs are estimated to be \$2,900. Direct costs associated with community information include: newsletters and informational pamphlets. The community information costs are estimated to be \$6,100.

In addition to direct costs, there are indirect/opportunity costs associated with a referendum. Indirect/opportunity costs will not increase total spending. Indirect/opportunity costs represent the ongoing wage and benefit costs of staff time spent on the referendum. By focusing existing paid staff time and attention on the referendum, the district is making the choice to not focus staff on other tasks. Stated another way, by focusing existing staff time on the referendum, we are choosing to not address something else.

SECTION III – THE REFERENDUM QUESTIONS

R. What is included in Referendum Question #1

Shall the School District of Holmen, La Crosse County, Wisconsin be authorized to issue pursuant to Chapter 67 of the Wisconsin Statutes, general obligation bonds in an amount not to exceed **\$23,500,000** for the public purpose of paying the cost of an **improvement project to the current Holmen High School** building consisting of: constructing, furnishing and equipping additions for the fine arts center, gymnasium and related space, career technology education, music and other areas; remodeling, renovating and equipping the commons, kitchen, instructional and other space; and site improvements?

S. What is included in Referendum Question #2

Shall the School District of Holmen, La Crosse County, Wisconsin be authorized to exceed the revenue limit specified in Section 121.91, Wisconsin Statutes, by **\$460,000** beginning with the 2020-2021 school year, for **recurring purposes** consisting of **operating and maintaining the additional space at Holmen High School**?

SECTION IV – QUESTION #1 - “HHS IMPROVEMENT PROJECTS”

T. When was the high school built?

The original high school building was completed in 1994. At that time, the building was designed to have an instructional space capacity of 900 students. The core of the building was completed in 1995 with the addition of the fine arts center. In 2000, the construction of an addition increased the reported instructional space capacity to 1,200 students.

U. What are the main areas of concern regarding the building’s core and support spaces?

The main areas of concern at Holmen High School are: core facilities, circulation spaces and support spaces. The core facilities include areas such as, but are not limited to, the cafeteria, kitchen, gymnasium, offices, and fine arts center (FAC). The circulation spaces include, but are not limited to, the entries, exits, and hallways. The support spaces include, but are not limited to, lockers, locker rooms, storage space, gymnasium space, and the receiving area. The undersized support and core facilities have resulted in: cost inefficiencies, safety concerns, inefficient use of staff time, excessive wear on equipment, lack of instructional space, gender inequality, lack of secure storage and lost student activity time due to daily set up and teardown.

V. As programs have changed since the high school was built and added to, is the 1,288 student instructional capacity still a valid number?

Yes, the 1,288-student instructional space capacity of the high school remains valid. Classroom instructional space needs are not driving the proposed facility addition and remodeling. The referendum addresses space needs in: core facilities, circulation spaces and support spaces.

W. Are the current facility needs driven by enrollment increases?

Yes, the current facilities needs are driven by past enrollment increases. Despite future enrollment projections showing stable enrollment across all grade levels, past enrolment increases are driving the facility needs at HHS in two ways.

First, past enrollment increases at lower grade levels will, in the near future, increase high school enrollment. This increase will occur as larger 3rd, 5th, 7th and 8th grade classes progress into HHS, while smaller current classes graduate. HHS enrollment is projected to increase in the next 5-years.

Second, past enrollment increases required the addition of classrooms at HHS in the year 2000. We are now finding that those past increases, and increased student participation in programs, have placed

demands on core facilities, circulation spaces and support spaces. The facility is not capable of meeting the needs driven by past enrollment increases and current levels of student participation in programs.

X. How does the district determine enrollment projections?

District enrollment projections use historical patterns to predict future enrollment. These patterns are assessed in a number of ways to improve the accuracy of predictions. Some of the ways enrollment is evaluated include: grade level, open enrollment in, open enrollment out, tuition waivers, and special needs students. District projections are then compared to other data points such as, residential plot approval within the district and population projections by the University of Wisconsin Applied Population Laboratory. These comparisons reveal projection discrepancies that might justify further review of the projections. Enrollment projections are updated by the district each fall after the official fall enrollment count is made. Each winter a second official enrollment count is taken. Fall and winter enrollments are compared to determine if significant mid-year changes justify an update to the annual projection.

Y. What solutions were considered to correct the cause of the problem before considering a referendum?

District staff implemented the following changes to address as many of the needs as practical: student scheduling changes to balance student use of spaces, new furniture/furnishings to optimize capacity of existing space, and limited remodeling consistent with available budget dollars.

The Buildings and Grounds Committee rejected a number of other solutions such as allowing open campus at lunch, reducing services to students, discontinuing current student programs, limiting elective class offerings, reducing the academic credit requirements, limiting student participation in co-curricular programs with stricter “cut” policies, etc. Such solutions were most frequently rejected for one or more of the following reasons: inconsistent with the district’s vision, provided a solution to only a small part of the problem, created a trickle down problem in some other way, delivered very low return-on-investment, and/or was inconsistent with the community/customer expectations.

Once it was determined that additional high school facilities was the most effective solution for some of the problems, the Buildings and Grounds Committee examined the viability of building a new high school versus additions and remodeling to the existing high school. The committee determined that the district’s existing long-range facilities and site plans more cost effectively met the current and anticipated future needs. The long-range plans included additions to the current high school as opposed to construction of a new high school.

The committee then turned to examining multiple addition and remodeling models. The committee reached consensus on a recommendation and advanced this to the board. The board received additional input. Administration developed a modified recommendation known as Model 1.75 which the board adopted. The board then approved presenting the community a referendum to seek funding for Model 1.75.

Z. Who was involved in contributing to the development of this referendum?

The groups and individuals include the District Leadership Team, the Holmen High School Facilities Committee, Buildings and Grounds Committee, Board of Education, and community members. The District Leadership team began the review of the un/underfunded needs list in September 2017 involving their building stakeholders. The un/underfunded needs list and updated third Friday enrollment data was presented to the Board at the October 23, 2017 meeting. The Board then directed the Buildings & Grounds Committee to provide a report to identify solutions to the needs of the high school’s core facilities, circulation spaces and support spaces. To assist, a High School Facility Committee was formed. That committee studied facility space needs on the un/underfunded list. The committee further analyzed continued enrollment growth, expanded opportunities for students, and new mandates, to identify any additional gaps and needs related to the high school facility. Lastly, stakeholders voiced their concerns in

regards to addressing high school facility needs through a meeting they requested with the District Administrator and high school administration, as well as speaking at multiple committee and board meetings.

AA. Is there a financial benefit to approving the referendum questions now?

One financial advantage of approving the referendum now is the relatively low bond sale rates. *Municipal bond interest rates are still relatively low compared to the last 20 years, even though they have trended higher over the last couple of years. Should interest rates increase higher, it would mean a higher interest expense for the district on the money borrowed for improvements. (Italicized text was added or amended 9/28/18)*

SECTION V – QUESTION #2 – “HHS OPERATIONAL AND MAINTENANCE COSTS”

BB. What will the increased operating and maintenance costs equate to at HHS?

Referendum Question #2 asks for authorization to exceed the revenue limit by \$460,000. This \$460,000 per year will begin with the 2020-2021 school year. The dollars will be used to cover the recurring cost of operating and maintaining the 71,688 square foot of additional space proposed in referendum Question #1.

Referendum Question #1 also includes remodeling 68,115 square feet of space. The cost of operating and maintaining remodeled space is not included in the \$460,000. The cost of operating and maintaining this existing space is already a part of the district’s operational budget. Therefore, no new dollars are needed for operations or maintenance.

CC. What costs are included in the operating and maintenance cost?

Operating and maintenance cost include both the ongoing annual cost of operating the additional facility square footage and the long-term maintenance cost to keep the building in good repair over its useful life. Ongoing operational costs include expenses such as custodial staff labor, utilities, supplies, annual maintenance and insurance. Long-term maintenance cost include expenses such as carpet replacement, furnishings replacement, fixture replacement, roof replacement and HVAC replacement. These long-term expenses occur on schedules of five, ten, twenty years and more. Referendum Question #2 allows the district to gradually set aside dollars to meet these inevitable future costs without having to come back to the public to ask for additional money when the work needs to be done.

DD. How was the operating and maintenance cost of the additional space determined?

The current annual operating and maintenance cost at the high school was determined to be \$6.36 per-square-foot. This cost was multiplied by the 71,688 square feet of additional space proposed in Referendum Question #1. This resulted in an annual estimated operating and maintenance cost of \$460,000 when rounded to the nearest \$10,000.

EE. Why do we have to ask for the operational and maintenance funding in a separate referendum question?

On a legal level, Wisconsin statutes address separately issuance and payment of bonds (Question #1) from authority to fund operational costs (Questions #2). By having two referendum questions, we address each statutory provision. On a practical level, the wording of each question needs to be explicit. In making the wording explicit, the referendum questions are wordy. Wordy questions can be confusing to voters. The intention is to make the referendum questions as non-confusing as possible.

FF. Why is the operational and maintenance referendum ongoing (recurring) rather than for a limited period of time.

The operational and maintenance referendum seeks ongoing funding because the cost of operating and maintaining additional facilities is ongoing. If the operational/maintenance funding were for a limited period of time, and at the end of that limited time the community did not renew operational/maintenance funding, then the district would be left insufficient funds to continue to operate/maintain the building. This would create an unsustainable financial and operational position. One of the cornerstone elements of the district's fiscal focus is sustainability. Seeking ongoing funding for ongoing costs is required for fiscal sustainability. One form of analogy is accepting that when a teenager buys a car they will need to pay for gas, insurance, maintenance, registration, etc. The decision to buy a car carries with it the natural ongoing cost of paying for regular maintenance.

GG. What will happen if one but not both of the referendum questions are approved?

If Question #1 is approved, but Question #2 is not, the school board would be faced with difficult choices. If the board proceeded with the \$23.5M HHS additions and remodeling plan there would be insufficient new dollars to operate and maintain the additional 71,688 proposed square feet. Some of the strategies the board might consider are:

- Not proceeding with the \$23.5M project to avoid creating a shortfall in dollars needed to operate and maintain the facilities.
- Reducing the scope of the \$23.5M project to minimize the shortfall in dollars needed to operate and maintain the facilities.
- Eliminate some current services and reallocate existing operational dollars to cover the \$460,000 operational cost.
- Some combination of the points above to ensure an operational deficit is avoided.

If Question #2 is approved, but Question #1 is not, the school board would not be able to access the \$460,000 because referendum Question #2 expressly states the dollars may be raised only, " ...for **recurring purposes** consisting of **operating and maintaining the additional space at Holmen High School....**"

The successful history of operational referendum in Holmen suggests our community understands the need to operate and properly maintain new district facilities. Since 1998, three referendums that were combined of new facility and corresponding operational/maintenance costs have been approved. These referendums included: 1998 Sand Lake Elementary, 2006 Middle School addition/remodel and 2007 Prairie View Elementary.

THANK YOU