

Media Release - Facility Needs 3/18/24

Dear Community Members,

There are many categories regarding the needs of a School District facility. Ranging from the interior and exterior of the building which includes walls, finishes, doors, trim, classrooms, labs, shops, offices, kitchen, cafeteria, and gymnasiums to exterior walls, siding, windows, roofs, and foundations. Mechanical infrastructure includes things such as plumbing, heating, ventilation, electrical, foundation, and lighting. Hardscapes refer to parking lots, sidewalks, fencing, and play areas while softscapes include trees, shrubs, flowers, and green areas. The indoor environment refers to indoor air quality, life safety requirements (OSHA, AHERA), and noise control. Security and safety involves cameras, alarms, door and window locks, window film, signage, and fire alarm systems.

The School District of Mellen developed a long-term capital improvement plan during the 2019-2020 school year and has been updating it regularly to reflect the needs of the District facilities. This plan is a requirement for establishing a Fund 46. Fund 46 is a Long-term Capital Improvement Trust Fund. It is funded with a transfer from the general fund. The contribution from Fund 10 to Fund 46 is recorded as an expenditure for shared cost and equalization aid purposes. However, a school board is prohibited from removing money deposited into Fund 46 for a period of five years after the fund is created. After the initial five year wait period is over, funds may only be used for the purposes identified in the approved long-term capital improvement plan. The School Board established a Fund 46 in May of 2020. Fund 46 currently has a balance of approximately \$110,360 and the funds will be accessible in May of 2025.

Discussion regarding a formal needs assessment began back in the Spring of 2021. The Building & Grounds Committee recognized the need, due to the fact that the District does not have a Facilities Director, like larger districts, that would have the capacity and training to identify areas of the facility that the District may not have thought about. After much discussion the board approved the facility needs assessment in the spring of 2023 and it was completed in the fall of 2023. The facility needs report is available on the District website.

CESA 10, the non-profit organization that completed the facility needs assessment, compiled a priority list for the District to consider in determining how to proceed with past deferred maintenance. This is also available on the District website.

It was in the winter of 2023 that B&G determined that the 1910 Building Restoration could not wait until 2026 as originally planned. Working with CESA 10 to develop an agreement regarding the work required to restore the building, the Board decided to table the project until May 2024 in order to focus on the Operational Referendum.

The operational referendum is needed to maintain current programming and annual maintenance costs as previously discussed at great length in past media releases, the District website, and community forums. There are other funding options for facilities needs such as the aforementioned Fund 46 in addition to the use of fund balance.

Fund Balance IS: Assets (What a district owns) less Liabilities (What a district owes). It consists of cash, cash equivalents (i.e. investments), and non-cash components (i.e. taxes receivable, payables). Fund balance is often confused as cash. However, fund balance IS NOT the equivalent of a person's savings or cash accounts. It IS NOT entirely cash that can be used for any purpose. Financial cash reserves (cash and cash equivalents) are only a portion of fund balance.

Determination of an appropriate fund balance is a critical factor in district financial planning and budgeting processes. School board policy 6235, requires the District maintain a fund balance of no less than 30% of the preceding year's Fund 10 expenditures. That equates to approximately \$1,409,477.30. The School District of Mellen as of 3/8/24 carries a fund balance of approximately \$2,033,144.54. Which is roughly \$623,667.24 in excess of what is needed. This amount fluctuates from year to year based on what the District receives for revenue. The current calculation includes the federal ESSER funds the District received in response to the COVID-19 pandemic. Also, the 23-24 Budget includes a projected deficit of <\$319,340> so that needs to be taken into account as well.

Another option would be to borrow funds for capital improvements. Sections 67.05(6a)(b) and 67.12(12(e)(2g)) of the Wisconsin Statutes provides authority for school districts to borrow up to \$1,000,000 without going to referendum. However, all debt issued by a school district without referendum approval must be repaid within the revenue limits, per s. 121 Wis. Stats., of the district (Fund 38).

In summary, operational expenses are recurring whereas facilities expenses (excluding annual maintenance) are non-recurring. Therefore, Districts are well advised to NOT use fund balance for operational expenses. When the State doesn't provide sufficient funding for public schools, and the District has made as many cuts as practicable yet strive to continue to provide quality educational programming, the District has no choice but to turn to the taxpayers for financial support. This was made clear by the Wisconsin State Legislature back in 1993 when the Revenue Limit was established. The goal was to create levy controls for public schools which worked fine until 2009 when the decision was made to no longer provide inflationary increases to the limit. The State Legislature's justification was to allow for operational referendums if the calculation provided insufficient funds (WASBO 1/19/23).

As always, I welcome any feedback by phone call, email, or via the public comment link of the school website. <https://www.mellendiggers.org/district/your-questions-answered.cfm#:~:text=Click%20here%20to%20submit%20a%20question>

Sincerely,

Rhonda Elmhorst-Friemoth
Superintendent
Mellen School District