



LAKE COUNTRY SCHOOL DISTRICT UPDATE

April 19, 2024

Dear Lake Country School Families,

I am reaching out to you today to inform you that the Lake Country School Board of Education has approved some important decisions to achieve a balanced budget for the 2024-2025 academic year, as well as to improve the financial situation for the 2025-2026 school year.

When I joined Lake Country School in June of 2022, I was made aware that the school needed a capital referendum. The facilities were almost 30 years old, including the physical structure and internal systems like heating, cooling, and technology. As I learned more about the district, I had concerns that needed to be addressed about its financial outlook as well.

During my research, I discovered that the district had been using the fund balance at various times for 10 years to make up for operating shortfalls. Every year, these budget shortfalls were approved at the annual meeting, reducing the district's fund balance over time, and having a negative impact on the district's finances. The district's fund balance is our internal line of credit and shows the financial health of the district. In general, a district should have a fund balance of at least 20 percent, but a smaller school district tends to keep a higher balance.

The fund balance at Lake Country School was approaching a dangerous threshold of less than 10 percent. The district began long-term financial forecasting using the Baird Financial Forecasting Model to help guide our decision-making. By November 2022, we learned that the district's financial situation was much more dire as we began looking at the future forecasts.

The Lake Country School District is facing some serious financial challenges due to several factors. One major problem is the decline in the district's enrollment, which has been steadily decreasing. Since the majority of the district's revenues are based on the tax levy, the number of students living within the district directly affects the amount of funds that can be levied. With fewer students, the district can levy less and the state expects us to adjust our programming and staffing accordingly to operate within the revenue limit.

In addition to the decline in enrollment, all schools, including Lake Country, have been negatively impacted by the state's freeze on per-pupil funding in 2021-2023. Districts were instructed to use one-time ESSER funds from the federal government to balance their budgets during this time. Although the state did increase per-pupil spending for the 2023-2025 biennial budget to \$325/student, it will not fully cover the funding gap caused by the per-pupil funding freeze.

As we continued to assess the financial status of the school district, it was very clear that we needed to take action. A school district is not allowed to have a negative fund balance. Without implementing a referendum or making significant cuts to spending, the district was at a high risk of a financial collapse, similar to what we have seen happen in another district in the state.

Starting from November 2022, the Board of Education and Administration had discussions with a facilities and referendum company named SiteLogiQ, which has an 85% success rate with their referendum work. The approach was to propose a capital referendum to address building needs and an operational referendum to continue programming and rebuild the fund balance. As the 2022-2023 school year progressed, the board of education and community received updates about the financial stress that the district was facing.

The district took the following actions to address financial difficulties: 1) We did not replace three retiring teachers and a Kindergarten teacher who resigned mid-year. 2) We restructured the post-employment benefit plan for teachers. 3) We explored different benefit plans to find additional savings. On March 17, 2023, a Finance Committee meeting was held in the Lake Country Library, where the district explained the financial situation to the community and the need to seek both an operational and capital referendum. At this meeting, a fundraising effort was initiated, and the PTO raised \$107,000 to help defray costs or further reductions for the 2023-2024 school year.

The school district was unable to hold a referendum before April 2024 since there were no state elections in November 2023. The school board chose to protect and maintain current programs for the 2023-2024 academic year while committing to passing an operational and capital referendum.

Beginning in September the district began to ramp up preparations for a referendum. SiteLogiQ presented a comprehensive assessment of the capital needs of the building and outlined the support required for the operational referendum. To help with financial analysis and bonding support, the district engaged with Erik Kass from PMA Financial, Dr. Todd Gray (CPA) and former Superintendent of the Waukesha School District, who is highly regarded in the area of school business finance, and Baird Financial. In December, three listening/informational sessions were held by the district and SiteLogiQ to inform the community about the needs of the district. During this time, a survey was sent out and received 310 responses from the community, which helped provide the board with direction for the referendum.

After conducting listening sessions, building assessments, and financial analysis, the district gained a clear understanding of the magnitude of the necessary improvements for the referendum. The district had requested \$9.5 million for capital improvements and \$7.2 million over seven years for operational expenses. However, even with the operational referendum, the district was still projecting a deficit and would need to make additional reductions.

In January 2024, the board approved two referendum questions related to capital and operational expenses. The goal was to have a single, consistent increase in taxes for the taxpayers. To achieve this, the operating referendum was a step increase each year to meet the budget requirements, while the debt repayment for capital referendum bonds was structured in such a way that the mill rate increase remained flat at \$1.16 per \$1000 of equalized value.

A significant amount of effort was made to convey the district's requirements to the community through various channels, such as postcards, a referendum website, social media posts, a mailer, and three community listening sessions. Meanwhile, the board was actively working towards addressing the financial challenges faced by the district. To that end, the board decided to discontinue the post-retirement benefit plan for staff by the end of the 2027 school year.

Despite all the planning and hard work, on April 2nd the operating referendum failed. In hindsight, there are several things that we could have done differently, but unfortunately, it does not change our current situation. This has been a problem for the last 10 years, and we have limited options now. We need to balance the budget, and since there are statutory requirements related to teaching contracts, we must take action by April 30th.

On Friday, April 19, 2024, the Lake Country Board of Education approved non-renewals and reductions that will affect 15 employees across the teaching and support staff in the district. These decisions are not taken lightly. Some positions were eliminated, while others have been reduced. We want to make sure that we are being respectful of all the individuals impacted by these decisions. The board and administration were deeply saddened by the necessity of these actions. These decisions were not related to the performance or the importance of the roles played by these people within the district.

The board and administration have carefully considered all the feedback received from the public and explored every possible option to avoid making these reductions. We can assure you no one wanted to be in this position. The impact to students, staff, and the community has been difficult to say the least. According to state statute, certain areas of public education must be safeguarded. Specifically, for K-8 education, each school board is required to provide consistent instruction by licensed teachers in subjects such as reading, language arts, social studies, math, science, health, physical education, art, and music. Regular instruction in foreign languages must also be provided for grades 7 and 8. Additionally, each school board must ensure that students in grades 5 through 8 are introduced to career exploration and planning.

Although the reductions were necessary, no programs have been completely eliminated. The district is committed to achieving a balanced budget by 2024-2025, which will lead to a much better financial outlook for the 2025-2026 school year.

There is hope for the future, we plan to bring forward another operational referendum in April of 2025, which is the soonest we appear on the ballot according to state statute. The capital referendum did pass, and reduces the risk of a catastrophic financial crisis should one of our main systems fail and we will be able to address many needs of the building.

We will continue to look for ways to strengthen our financial foundation by working with other school districts on shared services and viable options that may present themselves. We have witnessed the passion and support of this community. It is now time to come together and put an end to this chapter of financial distress, and refocus on achieving excellence in education.

Sincerely,



**LAKE COUNTRY SCHOOL DISTRICT
ADMINISTRATOR**

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