

**Arrowhead Union High School District
Non-recurring Operating Referendum
November 3, 2020**



Frequently Asked Questions & Answers

What referendum will be presented to the electorate on November 3, 2020?

The Arrowhead High School Board of Education has approved presenting the electorate with an infrastructure operating referendum of \$1.7 million per year for a five-year period (total \$8.5 million). This operating referendum will only address the highest prioritized needs of technology, facility, and site infrastructure improvements.

How much will this referendum cost the tax payers?

The last referendum passed by Arrowhead was in 1999, which held a 20-year debt with a \$1.7 million repayment expense per year. The last payment of that loan was paid in March, 2020. The November 3, 2020 referendum question will NOT ask the voters for a new loan, rather it simply asks the voters to continue to fund the \$1.7 million/year for five more years.

This referendum proposal includes:

- **no long-term debt,**
- **no interest payments,**
- **a funding sunset in five years, and**
- **is tax neutral.**

This referendum would maintain the \$0.25 per \$1,000 of property value paid for the 1999 referendum debt for five more years.

What expenditures or projects would be funded through this referendum?

What this referendum **DOES** for Arrowhead:

- Replaces the oldest, leaking areas of roofing
- Replaces and repairs the most aging air handling units for heating and air conditioning (HVAC)
- Updates technology infrastructure for safety and up-to-date usage
- Updates or repairs some building structures
- Repairs/replaces some parking lots/roadways
- Improves some stormwater management systems

What this referendum **DOES NOT** do for Arrowhead:

- Fix all on-going infrastructure updates and repairs
- Pay for operating costs including utilities, supplies, employee compensation, programs/services for students
- Add new structures such as new building/storage additions, new theater, new pool, or new athletic facilities
- Provide major classroom or instructional upgrades

What is included on Arrowhead's campus?

- **483,000 square footage in our school buildings-** (North Campus- 273,000 sq. ft., South Campus- 210,000 sq. ft.)
- **12 acres of roofing-** While some roofing areas are new, the average roofing age is 20+ years old. New roofs are going from 20-year warranty to 30-year warranty, which will save \$16,000/year in roofing updates.
- **53 heating, ventilation, air conditioning (HVAC) units-** The average HVAC age is 30+ years old, with a full replacement cost of approximately \$125,000 per unit.
- **157 acres of land-** Campus includes 1,400 parking spaces in parking lots and roadways that average in age of 17 years old. Stormwater management systems on campus currently do not prevent flooding problems.
- **135 total external entry/exit doors-** Identified doors within this total have exceeded their useful life, which may cause safety and energy efficiency problems.
- **7-year old firewall for internet-** This technology infrastructure needs to be replaced before January 2022, when support ends from the company of purchase.
- **3 key technology servers-** These need to be replaced before December 2023, when support ends from the company of purchase.
- **\$428,000+ of WiFi access points, wireless controllers, and switches to be replaced-** In order for users to see improvement with internet speed, replacement of 84 of the 164 access points, and other outdated internet controllers and switches, is necessary.

Why do we need a referendum to address critical facilities needs?

Arrowhead has completed more than \$16 million in capital projects during the last 12 years, or an average of \$1.4 million annually on Arrowhead's three buildings, grounds, roadways, and technology infrastructure. We have also accepted several generous, private donations for donor-specific projects.

Now, Arrowhead experiences significant budget deficits, while the annual expenses for aging facility, site and technology infrastructure expenses continue to increase. Arrowhead cannot keep up with addressing these aging facilities without deep budget reductions in other areas. The increasing campus infrastructure costs now compete directly with the high-quality educational programs and services provided to Arrowhead students.

- Rising operational costs continue to outpace the state imposed revenue limit
 - Significant efforts have been made to maximize resources and manage budgets through cost-saving actions including lower or no salary increases than in past

decades for employees, elimination of post employment benefits for staff members, health insurance plan changes, implementation of energy savings strategies, etc.

- Arrowhead is committed to being responsible stewards of taxpayer funds while also maintaining high quality school buildings and exceptional programming.
- Deliberate planning and investment will protect our community's schools for the future and provide safe, efficient, and a relevant learning environment.
 - Arrowhead's facilities have served us well, some of which are close to 65 years old. However, major building infrastructure and systems are aging beyond their useful life, resulting in inefficiencies and ongoing costly repairs.
 - Upgrades pertaining to pedestrian and auto traffic, fire protection, and building security systems will result in a safer environment for our students.
- We are focused on sustaining, and even heightening, our community's expectations for educational opportunities and student achievement.
 - Standardized test score averages are high, graduation rates are high, course offerings are diverse and plentiful, and Arrowhead is consistently identified in various categories of "best schools." Yet, if we are not continuously improving, other districts will pass us by.
 - Upgrades to technology infrastructure are important in supporting rigorous programming and preparing students for college and the workforce.

Why can't infrastructure maintenance needs be paid for through the annual operating budget?

We wish all of the projects within the referendum request could be covered in our operating budget. The Arrowhead School Board, Administration, and Staff work diligently to provide the best education possible for our students, using the district's financial resources in a prioritized, responsible manner. This has become increasingly challenging since the 2010-11 school year when state funding to schools was significantly reduced. Further, with a state budget deficit estimated at \$2 billion as a result of the COVID-19 pandemic, it is highly likely state funding to schools will be reduced, again.

Arrowhead indeed budgets proactively for infrastructure and maintenance needs, such as roofing, heating/air conditioning, flooring, plumbing, safety systems, technology wiring, etc. In fact, over the last 12 years, over \$16 million has been spent in these areas, an average of about \$1.4 million each year. With approximately 483,000 square feet of buildings to maintain and many naturally aging building systems, we simply cannot keep up with the infrastructure needs as part of the general operating budget. The district strives to financially protect the community's investments in Arrowhead's buildings and infrastructure. The increasing facility costs now compete directly with high quality educational programs and services provided to Arrowhead students.

What infrastructure/maintenance projects have been covered through the annual operating budget?

From 2009 through 2020, over \$16 million has been spent on buildings & grounds infrastructure/maintenance projects. Most of that total was budgeted and spent through the

district's operational budget, while some came from the district's fund balance account. Approximately \$2.5 million of that total spent was through donations. Follow this [link to a one-page summary list](#) of the specific projects, per building, per year.

Why does it seem like Arrowhead is pressured more with revenue limits and budgets than some neighboring districts?

Since the revenue limits were instituted in 1993, resources available to sustain programs are much more limited. Student performance expectations are higher today, in the core academic areas, than ever before. Therefore, programs traditionally valued need to be adjusted as our resources have become more limited and performance expectations have increased. School districts that are experiencing growing enrollments may have started with fewer program offerings in comparison to what Arrowhead has traditionally offered). With their new enrollment growth, it adds to their revenue limit/taxing authority, as well as their ability to grow programming. With our declining enrollment, coupled with revenue limits not pacing with inflation, the funding we're allowed to operate with is decreasing each year, which requires us to make reductions, such as adjust programming, raise class sizes, etc.

Schools are not funded equally. In 1993, revenue limits were established for schools based on their spending at that time. Schools that were high spenders, are still locked into higher spending. Schools like Arrowhead, who were conservative spenders in 1993, have been locked into lower spending for the last 27 years. The following chart indicates the difference in tax revenue of area school districts.

Maximum Revenue per Student 2019-20 in Waukesha County (Source: WI DPI finance webpage)

Elmbrook	\$11,844	**	** \$3.4 Million per year more than Arrowhead, based on the same number of students (Arrowhead's count of 2,106)
New Berlin	\$11,480		
Menomonee Falls	\$11,251		
Hamilton	\$10,871		
Pewaukee	\$10,623		
<i>Waukesha County Average</i>	<i>\$10,569</i>		
Oconomowoc	\$10,324		
Muskego	\$10,261		** \$1,614 less per pupil, per year than the highest spending district, with similar economic demographics and student achievement scores
Arrowhead & avg. of K-8 schools	\$10,230	**	
Kettle Moraine	\$10,158		
Waukesha	\$10,004		
Mukwonago	\$9,775		

Are school referendums common?

As the funding to schools hasn't regularly kept up with the cost of living increases, and as student enrollment has decreased in over 60% of Wisconsin school districts, a record number of school districts have resorted to using referendum questions on election ballots as a way to manage their budget deficits. According to the WI Department of Public Instruction, since 2011, 424 WI school districts have presented 1,028 referendum questions to their voters. The overall passing rate, over all those years, is 71%. The latest referendum results from the April 2020 election was a 90% passing rate. Waukesha County data:

Waukesha County Districts that Passed Referendums During the Last 12 years

(Source: WI DPI finance webpage)

Arrowhead	\$0
K-8s	
Merton	\$3.0M (2008)
North Lake	\$2.3M (2014)
Stone Bank	\$2.5M (2014)
Swallow	\$8.3M (2018)
Richmond	\$0
Lake Country	\$0
Hartland-Lakeside	\$0
Elmbrook	\$62.2M (2008)
Hamilton	\$57.4M (2018) \$1.5M recurring (forever) (2018)
Kettle Moraine	\$49.6M (2014) \$7.0M (2020)
Menomonee Falls	\$32.7M (2016)
Mukwonago	\$49.5M (2016) \$7.0M (2016)
Muskego	\$43.2M (2016)
New Berlin	\$0
Oconomowoc	\$54.9M (2016)
Pewaukee	\$16.5M (2010) \$39.7M (2018)
Waukesha	\$60.0M (2018)
County average passed referendums	\$29.4M

Didn't Arrowhead recently attempt a referendum?

Actually, Arrowhead recently attempted two referendums, which both failed on their respective ballots. A thorough, 2015-2016 Facilities Study, developed by external and internal experts, identified over \$70 million of "needed" and "desired" improvements to our full campus buildings and grounds- needed, top-priority infrastructure repairs and desired technology and learning space improvements and upgrades. In November, 2016 the district attempted a \$64 million referendum in order to complete most of those projects. The voting public rejected that plan/referendum. In April, 2017 the district returned to the voters with a reduced referendum, focusing on facility repairs and just the highest-priority improvements to learning spaces. The voting public also rejected that plan/referendum.

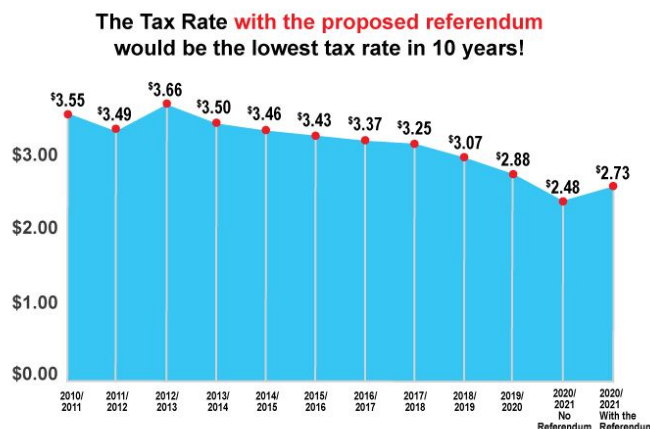
How has declining enrollment impacted Arrowhead's budget?

Currently, our enrollment is declining, similar to approximately 60% of the school districts in Wisconsin. Arrowhead's enrollment reached 2,379 students in 2005-06. The 2019-2020 enrollment was 2,106. The 2020-21 enrollment is projected to be 2,076 students. Schools are primarily funded through a per-pupil allocation. Fewer students equals lower funding. Problematic is that 30 fewer students may mean a reduction of \$300,000+ in funding, yet those students are spread across 100+ classes so that staffing and other related expenditures often cannot be reduced.

What are Arrowhead's current & future mill rates?

Arrowhead's 2019-20 Mill Rate was one of the lowest in the state at \$2.88, down from \$3.07 the year before. Mill rate equals the tax impact per \$1,000 of home value. For a \$300,000 home, the tax rate impact is \$864, and for a \$500,000 home, the tax rate impact is \$1,440.

Arrowhead's current Mill Rate of \$2.88 will drop to \$2.73 if the referendum passes, and to \$2.48 if the referendum does not pass, for the 2020-21 mill rate. This is great news regarding the Arrowhead portion of residents' property tax bills. Whether the electorate votes yes or no on our infrastructure referendum, it still will be the lowest tax mill rate in 10 years.



Isn't Fund Balance a savings account? Why not use that money to pay for projects?

The Fund Balance of any school district is both an emergency fund and also to cover day-to-day cash flow needs. When the balance gets too low in early winter before property taxes are collected and received, it is common that schools must take out a short-term loan or a line of credit in order to cover salaries and other expenses.

Arrowhead has used available monies from our Fund Balance account for several, one-time projects over the years. However, the School Board and administration does not wish to deplete Fund Balance to an irresponsible level. A prudent business practice is to retain three months of expenditures as working cash. This is approximately \$6,723,000 for Arrowhead, while our Fund Balance is anticipated to end the 2019-2020 fiscal year at \$8,260,000 in June, 2020 (its highest point during the fiscal year). Arrowhead's fund balance stability, the large tax base, and our low debt burden allows us to be one of only 14 (2018) school districts in WI to earn an Aa1 or better Moody's rating. This rating helps in securing low interest rates when borrowing.

Why doesn't the district sell that unused farmland for extra money?

In 2001, Arrowhead voters approved the land purchase of 42 acres of land directly north of North Campus, across Hwy K. Because of significant growth in student enrollment at that time, it was predicted that building expansion may become necessary in future years for athletic fields or even for a third school building on that land. The loan for this property was paid off early to save interest money.

Since that time, the student population had reached a peak in 2008, but has been steady or declining since then. Monitoring this data, the school also did a growth study to learn what a potential maximum student count would be if all municipalities in the Arrowhead District had a maximum build out of residential properties. This study determined that the current facilities, with some modifications, could handle a maximum number of students of approximately 2,600 students.

The School Board is exploring all options of selling the 42-acre plot of land for residential use, which would add to the tax base of the district. A sale of this property would need to be at a school board-approved sale price that results in a profit and therefore, benefits the taxpayers. The funds earned from the sale would allow for reinvesting in facilities, with a probable focus of upgrading the learning spaces in both buildings for students with special education needs.

What steps has the district taken to reduce costs? Have the "tools" provided by Act 10 been implemented?

Significant measures have been taken to reduce expenses within the district; the "tools of Act 10" indeed have been implemented, which means reductions to compensation and benefits to employees and retirees, including:

- Cost-saving energy programs have been implemented
- Class sizes have been increased for efficiency in staffing costs. The average class size has increased from 24.50 in 2010-11 to 26.7 in 2019-20, with some classes topping out in the mid 30's.
- Bidding of services for least expensive pricing occurs regularly

- All of the following compensation and benefit changes during the last five years have assisted the district in avoiding well over \$2 million in employee benefit expenses.
- Raises for staff of 3.8% or higher (in the days when salary schedules were negotiated with unions) no longer occur. In some years, salaries were frozen for some employee groups, and in other years, the salary increase mirrored the Consumer Price Index (CPI) changes, resulting in approximately 1% raises.
- Health insurance has been put out to bid for less expensive plans. The district changed health insurance carriers a few times since 2011. These carrier changes have saved the district approximately \$700,000.
- Employees who qualify to participate in the district's health insurance plan pay 14% of the premium, with an opportunity to lower that expense to 12% if they participate in an identified health risk assessment/wellness program.
- Health insurance plans have been modified nearly annually, to include higher out-of-pocket expenses for employees. These plan design changes have saved the district over \$300,000.
- The district terminated its Long Term Care insurance plan in 2013 saving over \$200,000.
- The district has changed dental, life and long term disability insurance carriers in 2013 and increased dental insurance premium contribution. These changes saved the district approximately \$60,000.
- Employees pay the employee contribution into the Wisconsin Retirement System (WRS). In the past, the School Board paid both the employer and employee portions. This savings amounts to \$739,000.
- Reductions in the following post employment benefits have caused the district's Other Post Employment Benefit (OPEB) Accrued Liability to decrease \$13,004,200 from July 1, 2008 to July 1, 2019.
 - Retiring teachers used to receive a Tax Shelter Annuity (TSA) based on longevity. This is no longer provided.
 - Post-employment health insurance has been eliminated, other than for a few long-term employees who were "grandfathered" and have since retired.

While Act 10 provided some ability for school boards to save on benefit plans, it does not allow districts to raise more revenue to keep up with other continual rising costs. Arrowhead administration and school board work hard to adequately use the "tools of Act 10" to reduce costs, while maintaining compensation and a workplace culture that will attract and retain the best teachers and other staff members, for the sake of our students.

If Arrowhead must return to virtual learning because of the COVID-19 pandemic and the buildings are closed, would the referendum be postponed?

No, definitely not. The work proposed to be completed with this referendum funding remains a high priority, even if employees are working within the buildings with no students present. Crucial repairs and replacements of technology, buildings, and site infrastructure must occur. During the spring 2020 shutdown when Arrowhead moved to emergency virtual instruction, 29 employees were furloughed/laid off because we had no work for them. The financial savings from those furloughs needed to be reinvested right back into educating the students, through WiFi hotspots for students to borrow, Chromebooks and other hardware tools for students and staff to borrow, training for faculty, new supplies for cleaning and disinfecting, and the purchasing of personal protective equipment like masks, shields/barriers, air filters, etc.

Do high quality schools impact property value?

Research does indicate high quality school systems and improvement construction on campuses had a positive impact on property values in the area. Two quoted sources:

- “We find that school construction had substantial, positive effects on home prices in affected neighborhoods, and led to increases in the population of families with children attending public schools. These effects coincided with increases in students' reading scores... A survey.... Suggests that both physical and motivational changes play an important role.” C. Neilson & S. Zimmerman, *The Effect of School Construction on Test Scores*, 2011
- “Our results indicate that... passing a referendum causes immediate, sizable increases in home prices, implying a willingness to pay on the part of marginal homebuyers of \$1.50 or more for each \$1 of capital spending. The effects do not appear to be driven by changes in the income or racial composition of homeowners, and the impact on test scores appears to explain only a small portion of the total housing price effect.” S.Cellini, F. Ferreira, & J. Rothsein, *The Value of School Facility Investments: Evidence from a Dynamic Regression Discontinuity Design*, 2010

What are the facility needs as identified by a district-wide facilities assessment?

In 2015-2016, a comprehensive assessment of Arrowhead's buildings and grounds was implemented, by experts in their respective fields, to determine infrastructure needs. Also, interviews were held with over 30 staff members, including administrators and a teacher representative from every department, to hear their concerns and ideas for existing spaces. Finally, feedback from citizens over the years was also taken into account; for instance, improving traffic patterns, desire for a larger theatre/auditorium, etc.

The following project areas and cost estimates, in 2016 dollars, were identified during this inclusive and expansive process:

- Update building infrastructure and emergency systems (\$17 million)
- Improve campus layout and site safety (\$6 million)
- Renovate classrooms/science labs (\$11.3 million)
- Upgrade North Campus to include a Design Engineering Manufacturing Center, as was recently completed at South Campus (\$1.9 million)
- Improve special education classrooms and student services spaces (\$1.2 million)
- Update library media centers and large group instruction areas at both North and South Campus (\$8.1 million)
- Expand the theater and fine arts area (\$11.5 million)
- Expand the west gym at North Campus (\$7.5 million)
- Replace the swimming pool (\$10.5 million)
- Improve the 40 acres of land, just north of campus, to provide for additional practice fields (\$1.4 million)

The estimated cost of all of these identified project ideas totalled approximately \$76 million. All project ideas were tested with the citizens residing in the 11 municipalities within Arrowhead High School's boundaries through an anonymous survey. The scope of the final project was modified to include under \$64.7 million in identified projects. Referendum attempts to complete many of these projects failed in both November 2016, and April 2017.

Did Arrowhead really spend over \$600,000 of district/taxpayer funds on a locker room?

No, Arrowhead did not spend over \$600,000 of district/taxpayer funds on a locker room.

Arrowhead did end up with deluxe locker rooms, but that's not all.

Rumors paint a highly skewed picture of the 2014-15 renovation project. Accurate facts reveal a different picture of the significant repairs and remodeling to both a boys' and a girls' locker room, and the adjoining areas. Locker rooms account for just 1,302 square feet of the 7,570 square feet of the repaired and remodeled areas.

The heavy renovation of this 1970's original construction addressed indoor air quality compliance, accessibility through ADA requirements, dysfunctional/inoperable plumbing (toilets and showers that were non-functioning) and sanitary sewers (annual raw sewer back-ups), electrical/lighting deficiencies, and privacy issues. The estimated cost of this project, for just the necessary repairs and standard-level renovation of the space, was projected at approximately \$500,000. As a result of a significant donation (over \$400,000) the district saved approximately \$300,000 toward its intended expense. That donation covered portions of the renovation, as well as the deluxe-level remodeling, which resulted in the total project cost of over \$600,000.

The Arrowhead School Board did not spend \$600,000 of district/taxpayers' monies to glamorize a locker room, as rumors proclaim... nor was the money budgeted for locker room remodeling, for remodeling sake. The district's portion of the expense was budgeted for correcting safety and sanitary issues so the area didn't have to be shut down for student use.

We hear much about revenue limits. What is this and how does it work?

The State Legislature implemented a system of revenue limits in 1993 in order to keep taxes down. Districts' revenues were capped at their level of spending in 1993, and adjustments are made to the revenue limit in each biennial budget approved by the legislature.

A district's revenue limit is the maximum amount of revenue it may raise through general state aid and property taxes. It is perhaps best described in terms of per-student allowable spending: the amount of money the state allows a school district to spend per student per year while keeping a balanced budget.

Since 1993, revenue limits had been increasing with inflation (the consumer price index, or CPI), but in each year since 2009-10, the State Legislature has set the limit lower than CPI. This results in challenges for school districts in keeping up with naturally rising costs of goods and services like heat, light, gas, fuel, insurance, etc.

While districts have become more efficient with resources, years of revenue limits have taken their toll. Efficiencies are harder to find and difficult decisions about programming, staffing and class sizes are forced to be made across the state. School districts must get voter approval through a referendum to spend funds that exceed the revenue limit.

So if state aid increases in a given year, don't districts' revenue limits increase?

Oddly, no, and this is a confusing element to the State's education funding formula. The total dollars to educate students does not change unless the revenue limit per-student dollar amount is adjusted.

The State Legislature may vote to increase state aid without raising the revenue limit. Even an increase in the state budget for education (state aid) may not mean an increase in revenue to each district for operating. Since Arrowhead is considered “property rich” – it has high property values in comparison to other parts of the state – we receive less state aid to offset our local property taxes than the majority of school districts across the state.

Do property values play a part in educational funding? How?

Yes. Property values impact the amount we receive in state aid through a complex, three-tiered formula. Arrowhead is considered a property wealthy community; therefore, we receive limited state aid. A portion of our state aid is reduced (thus increasing our local property taxes) and redistributed to educate children across the state from less affluent communities.

What factors are used to determine the per-student revenue limit dollar amount? And why do they differ among districts?

The revenue limit is based on the following three factors: Number of students (3 year average of resident enrollment), Base revenue limit (beginning in 1993), and per-pupil dollar increase (set by the Legislature every two years with the biennial budget). Districts’ base revenue in 1993 varied by school district, as did program offerings for students based on what each community valued.

What was the cost of Arrowhead’s communication efforts regarding this infrastructure referendum?

Arrowhead, like any and all school districts presenting a referendum to the electorate, is responsible for providing factual information to their resident community so people can make an informed decision on their election ballot.

Arrowhead's communication efforts have not included in-person tours and open houses, as a result of the COVID-19 pandemic and social distancing/safety concerns. We have been reaching out in many other ways to provide the information to citizens including easy access to our comprehensive referendum website page, news media articles, postings on social media (Facebook, Twitter, and Instagram), and three mailers to each household in our residency area (two have gone out, and one more will arrive between Oct. 23 - 28).

The total cost for these communication efforts are approximately \$12,660, which equals about \$0.74 per household:

- Referendum planning consultation, and the designed graphics for all publications, webpage, and our three social media sites = \$1,100
- Printing work and copies, for the three mailers, for 17,000 households and several hundred extra handouts for staff, K-8 districts, etc. = \$7,000 (Local printing company, Marek Group, provided the best pricing to us.)
- Informational business cards (2,500)- \$60
- Postage for three mailers to 17,000 households = \$4,500

How can I learn more information regarding the proposed facilities project referendum?

To have additional questions answered:

- Email questions to: referendum@arrowheadschoools.org
- Contact Superintendent Laura Myrah at 262-369-3611 ext. 4111
- Watch for informational pamphlets being mailed to all households, in Arrowhead's residency area, in September and October
- Continue to monitor the Referendum Information Webpage for frequent updates