Fiscal Consolidation Study:
Friess Lake and Richfield School Districts

March 2017

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96 year history

1919
Founded in Milwaukee

1948
Member New York Stock Exchange

1975
Registered as broker-dealer

2004
Baird becomes employee-owned

2014
Acquired McAdams Wright Ragen (MWR), wealth management firm, with 80 advisors and six offices in Pacific NW

2015
Acquisition of Chautauqua Capital Management based in Boulder, CO

Five complementary businesses form a powerful platform of expertise and capabilities.

• Employee-Owned financial services firm

• 3,350 employees in 100+ offices across three continents

• $167 billion in client-assets

• No. 1 in Research Quality and Importance according to Greenwich

• FORTUNE 100 Best Companies to Work For® for 13 consecutive years, ranking No. 6 in 2016

• 65% associates are shareholders

Baird’s Global Presence

United States  Frankfurt  London  Mumbai  Shanghai

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1Greenwich Associates U.S. Equity Investors – Small-/Mid-Cap Funds, April 2016. Survey conducted with 96 small-cap and mid-cap fund managers. Rankings for qualitative metrics based on leading research firms in survey.

2Data is as of September 30, 2016
Key Statistics

36
Offices strategically located across the United States
• 26 Sales and Trading
• 10 Public Finance

4
Underwriting Desks located in Milwaukee, San Francisco, Red Bank and Winston-Salem

70
Public finance professionals with diverse sector experience and expertise

150+
Institutional sales and trading professionals

870+
Retail Advisors

17
Dedicated Secondary Market & Retail Traders in Municipal Bonds

As of November 30, 2016
Focused on the long-term relationship with each client that goes beyond just a transaction, our goal is to earn your trust and business as a financial partner, working together in meeting your long-term goals by providing value-added results through seamless execution.
Our Team

School Finance Team

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Financial Management
- Referendum planning
- Debt monitoring and analysis
- Capital improvement planning
- Investment alternatives

Debt Issuance Planning
- Financing alternatives
- Market analysis
- Debt structuring options
- Credit rating consultation
- Document and disclosure guidance

Municipal Bond Market Access
- National sales force
- Diverse investors
- Active in all types of fixed income securities
- Dedicated purchaser of cash flow notes
Our Team

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Marleen Clark
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mclark@rwbaird.com

Knowledge Transfer
On-site training
Business office consulting
Board and community presentations
School finance resources and materials

Stand-in Services
Budgeting
Board and state reporting
Bank reconciliations
Audit assistance

Business Office Services
Multi-year Budget Planning
Operational referendum analysis
Consolidation Analysis
Planning and communication tools
Debby Schufletowski  
Senior Vice President  
School Business Solutions  

Debby leads Baird’s School Business Solutions team in Wisconsin. A School Business Specialist, she joined Baird in July 2009 bringing several years of experience as a business manager and independent consultant for school districts across the state. She also continues to serve as Business Manager for the Fall Creek School District. Debby earned an MSE in School Business Management and a BSE in Elementary Education from the University of Wisconsin – Whitewater.

Email: dschufletowski@rwbaird.com  
Phone: 715-552-3567
## Wisconsin Consolidation History

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950 - 1960</td>
<td>The state of Wisconsin accounted for estimated 50 mergers or other form of reorganization involving 109 school districts.</td>
</tr>
<tr>
<td>1993</td>
<td>The implementation of Revenue Limits caused more districts to consider consolidation.</td>
</tr>
<tr>
<td>1995</td>
<td>Bloomington and West Grant School Districts <strong>consolidated</strong> into River Ridge School District.</td>
</tr>
<tr>
<td>2006</td>
<td>Wilmot Grade and Trevor Grade School Districts <strong>consolidated</strong> into Trevor-Wilmot Consolidated School District.</td>
</tr>
<tr>
<td>2009</td>
<td>Glidden and Park Falls School Districts <strong>consolidated</strong> into Chequamegon School District.</td>
</tr>
<tr>
<td>2010</td>
<td>Chetek and Weyerhaeuser Area School Districts <strong>consolidated</strong> into Chetek-Weyerhaeuser Area School District.</td>
</tr>
<tr>
<td>2016</td>
<td>Herman #22, Neosho J3, and Rubicon J6 School Districts <strong>consolidated</strong> into Herman-Neosho-Rubicon School District.</td>
</tr>
</tbody>
</table>

Source: Department of Public Instruction
School District Consolidation – Timeline Options (Dates used for EXAMPLE Only)

• The first step in the consolidation process is the adoption of a resolution to “consider” consolidation, as required in s.117.08 (1), Wis. Statutes. *This resolution may be adopted at any time.*

• If the resolution to consider consolidation does **not** specify a timeline, the standard timeline for the remainder of the process shown in *Row I* of the table below will apply. *(A consolidation order issued in July becomes effective the following July).*

• Districts adopting resolutions to consider consolidation may choose an **alternative timeline** for the process.

• The timeline described in s.117.08 (5) (a) *(Row II below)* provides 18 months between the consolidation order and the consolidation effective date. *(A consolidation order issued in December would not be effective until a year and a half later on July 1).*

• The timeline described in s.117.08 (5) (b) *(Row III below)* provides 14 months between the consolidation order and the effective date. *(A consolidation order issued in May would not be effective until July 1 of the next year).*

• A district wishing to use either of the alternative timelines authorized in s.117.08 (5) **must** specify one or the other in the resolution to consider consolidation adopted under s.117.08 (1).
The examples in the table below show the three timelines for the consolidation process that are available AFTER a district has initiated the process by adopting a resolution to consider consolidation. Go to [http://sms.dpi.wi.gov/sms_rgconsld](http://sms.dpi.wi.gov/sms_rgconsld) for a detailed explanation of all the steps in the consolidation process.

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<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>117.08 (2)</td>
<td></td>
<td></td>
<td></td>
<td>Resolution Ordering Consolidation</td>
<td>Petition for Referendum Deadline</td>
<td>Referendum Held, if Required</td>
<td>Consolidation Effective Date</td>
</tr>
<tr>
<td>II</td>
<td>117.08 (5)(a)</td>
<td>Resolution Ordering Consolidation</td>
<td>Petition for Referendum Deadline</td>
<td>Referendum Held, if Required</td>
<td></td>
<td></td>
<td></td>
<td>Consolidation Effective Date</td>
</tr>
<tr>
<td>III</td>
<td>117.08 (5)(b)</td>
<td></td>
<td></td>
<td>Resolution Ordering Consolidation</td>
<td>Petition for Referendum Deadline</td>
<td>Referendum Held, if Required</td>
<td></td>
<td>Consolidation Effective Date</td>
</tr>
</tbody>
</table>
Executive Summary


The following calculations and methodologies represent current legislation and provide a relative example of the impact of a potential consolidation. This study assumes a hypothetical consolidation date of July 1, 2018. Local variables and decisions made today through a future consolidation date, if pursued, will impact actual state equalization aid, tax levy and mill rate calculations shown in this study. **Therefore, this information is provided to you for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.**

### Important Insights

State laws governing school aids, revenue limits and consolidation incentive aid are paramount in the resulting tax and financial impacts. When districts are similar in size and fiscal landscape, a consolidation will typically show a very similar structure.

**State law in this area is complex. Our focus is strictly on the fiscal impact as noted above.** Reorganized districts receive special funding. Thus, the true impact of the consolidation is not fully realized for at least six years after implementation begins. Additionally, the legal process to consolidate takes one to two years.
Executive Summary

Equalization and Consolidation Incentive Aid

State aid has two components:

- **State Equalization Aid** is general financial assistance to public school districts for use in funding a broad range of school district operational expenditures. It is allocated based on district spending, equalized valuation and resident membership (FTE).

- **Consolidation Incentive Aid** is allocated to districts who have consolidated under Chapter 17 of the Wisconsin Statutes and is based upon a complex formula. The additional aid is outside of the revenue limit, will sunset after five years, and will fluctuate annually. Act 55 created an additional incentive for districts who consolidate, a recurring (ongoing) revenue limit exemption starting in the sixth year of consolidation equal to 75% of the incentive aid received in the fifth year.

Incentive aid in this study is calculated based on current statutes. Using this methodology, the recurring revenue limit exemption in the sixth year after consolidation could equal approximately $135,000 ($180,000 5th year aid estimate * 75%).

Each year, equalization and consolidation aid fluctuates based on district variables, such as property value, membership and spending and state-wide variables such as total allocation, property value, membership and spending. Future consolidation and incentive aid could vary greatly from the figures shown here. If consolidation is pursued, it is important that the districts continue to update estimates each year until actual consolidation occurs.
Executive Summary

**Levy and Mill Rate**

The tax rates are based upon levy and equalized valuation (TID-Out) for the Districts. Typically, in the first year of consolidation, the tax rate for the consolidated district will fall between the projected tax rates for the individual districts. Resident enrollment, property value, spending and the consolidation aid received in the consolidated district scenario will result in future year mill rate fluctuations.

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**Estimated Mill Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>Friess Lake</th>
<th>Richfield</th>
<th>Consolidated Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>$7.74</td>
<td>$5.63</td>
<td>$5.59</td>
</tr>
<tr>
<td>2012-13</td>
<td>$6.53</td>
<td>$5.99</td>
<td>$4.97</td>
</tr>
<tr>
<td>2013-14</td>
<td>$6.23</td>
<td>$6.05</td>
<td>$4.68</td>
</tr>
<tr>
<td>2014-15</td>
<td>$5.78</td>
<td>$5.85</td>
<td>$4.58</td>
</tr>
<tr>
<td>2015-16</td>
<td>$5.58</td>
<td>$5.60</td>
<td>$5.51</td>
</tr>
<tr>
<td>2016-17</td>
<td>$4.76</td>
<td>$6.14</td>
<td>$5.61</td>
</tr>
<tr>
<td>2017-18</td>
<td>$4.26</td>
<td>$6.03</td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>$3.86</td>
<td>$5.74</td>
<td></td>
</tr>
<tr>
<td>2019-20</td>
<td>$3.72</td>
<td>$5.50</td>
<td></td>
</tr>
<tr>
<td>2020-21</td>
<td>$3.61</td>
<td>$5.51</td>
<td></td>
</tr>
<tr>
<td>2021-22</td>
<td>$3.41</td>
<td>$5.61</td>
<td></td>
</tr>
</tbody>
</table>

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Source: Department of Public Instruction

This information is for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.
Research Process and Key Variables

Estimating the financial impact of consolidating two school districts is a complex and methodical process. The key variables are reviewed in the next section.

Revenue Limits
Wisconsin Act 16 implemented revenue limits beginning with the 1993-94 school year. A district’s revenue limit is the maximum amount of revenue raised through state general aid and property taxes. The maximum limit is based upon resident enrollment (FTE), a state-determined revenue amount per pupil (a.k.a maximum revenue per member), and one-time and/or ongoing exemptions. Typically, 75-95% of any district’s general fund operating budget is determined by the revenue limit formula. Revenue generated from students open-enrolled into Friess Lake creates a lower percentage for their district.

Expenses do not generally align with increases or decreases in revenue limit authority. This has become a theme that permeates throughout most Wisconsin school districts. This “structural deficit” in the state funding formula is often addressed through expenditure adjustments allowing districts to balance budgets and/or maintain fund balance policy levels.

Source: Department of Public Instruction
Resident Student Membership (FTE)

Resident Membership (FTE) is a key factor in determining a school district’s revenue limit. The consolidated district will be the sum of the resident districts’ FTE and will continue to be impacted by enrollment trends existing prior to consolidation i.e. declining enrollment.

For the purpose of this study, the districts hired Applied Populations to calculate projected resident student FTE. Figures reflecting the 5-year Trend methodology are shown below and included in the forecast scenarios.

Head count (the students attending each of the respective districts) is shown for comparison. Notice that resident membership (FTE), the key factor in determining the districts’ revenue limit, differs from the number of students attending on a day-to-day basis.

Additionally, open enrollment is an important consideration as students enroll to and from each district. Any students open enrolled between Friess Lake and Richfield prior to consolidation will now be removed from open enrollment, as they will be resident students attending the newly-consolidated district.

Source: Department of Public Instruction
**Maximum Revenue/Member**

Maximum Revenue/Member is the second key factor in determining a school district’s revenue limit. The consolidated district will have a base revenue/member figure calculated on the individual districts’ data the year prior to consolidation. This scenario, like others, shows the consolidated district maximum revenue/member falling between the individual district figures.

The state biennial budget identified a $0 per pupil revenue limit increase for 2015-16 and 2016-17. For the purpose of this study, the assumption of $0 per pupil was carried into the projected years.
Equalized Valuation
The equalized valuation of a school district is defined as the full value of all taxable general property as determined by the Wisconsin Department of Revenue. This value is determined independently of the locally assessed value and is meant to reflect the fair market value of the property in the district. This value is a key component of a school district’s tax rate and state aid calculations.

For the purpose of this study, the districts used an assumption of 2% annual growth. The consolidated district will have a total equalized value equal to the sum of the two individual districts’ value.

<table>
<thead>
<tr>
<th>District</th>
<th>2016-17 Equalized Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friess Lake</td>
<td>$323 Million</td>
</tr>
<tr>
<td>Richfield</td>
<td>$617 Million</td>
</tr>
</tbody>
</table>

Source: Department of Public Instruction
State Equalization Aid

Wisconsin State Equalization Aid is allocated based on prior year spending, equalized valuation and membership. The key factor in determining equalization aid is a district’s property value per student. Typically, the more “property rich” a district, the less state equalization aid received.

Friess Lake and Richfield are more property rich per-pupil than the state average. Friess Lake and the forecasted Richfield figures show the districts receiving the minimum aid at only the first of the three-tier aid formula due to such high per-student property wealth compared to the state average.

Projected declining enrollment and equalized value growth is projected to further this trend. In 2016-17 Friess Lake had the maximum 15% aid loss; in the projected years, both Friess Lake and Richfield may see this maximum loss.

Important to note, this trend of property wealth per-member, first-tier aid only and a potential loss of the maximum 15% each year, carries through to the consolidated district forecast. Spending, equalized valuation and membership fluctuations between now and the potential consolidation date could affect these projections.

Source: Department of Public Instruction 2016-17 budget report
Research Process and Key Variables

Consolidation Incentive Aid

According to Wisconsin State Statutes 121.07(6)(e) and 121.07(7)(e): For the first year, and for each subsequent year for four years the cost ceilings and guarantee values shall be multiplied by 1.15 and rounded to the next lowest dollar. Additionally, Wisconsin State Statutes 121.105(3) states that for each year, and for each subsequent year for four years the consolidated aid shall be an amount that is not less than the aggregate state aid received by the consolidating school district in the school year prior to the school year in which the consolidation takes effect. In the first five years, the difference between the consolidated aid calculation (without the 1.15) and the greater of a) the combination of prior year’s aid for each consolidating district or b) the consolidated aid payment with the 1.15 is the amount of additional aid the District would receive to spend outside the revenue cap. The additional aid is outside of the revenue limit, will sunset after five years and will fluctuate annually.

**Act 55, outlined in the 2015-17 biennial budget, created a new ongoing revenue stream for consolidated districts.** According to Wisconsin State Statutes 121.91(4)(L): In the sixth year after consolidation, the district will receive a recurring revenue limit exemption equal to 75% of the consolidation aid received in the fifth year. These funds will be added to the district’s base revenue and will be ongoing.

**Whereas, in the past, consolidation aid was typically used for one-time expenditures due to the short-term availability of these non-revenue limit funds, Act 55 creates a longer-term financing solution for the district and may change the way in which all incentive aid and recurring revenue limit dollars are used.**

Equalization aid is calculated based on prior year data. Therefore, in the first year of consolidation, the spending, equalized valuation and membership will be the sum of the individual districts’ figures. It is necessary to run exact aid calculations for the specific districts looking to consolidate as the differences in property value-per-student and the size differential of the districts consolidating will impact the final calculation and aid figure. Additionally, each year, equalization and consolidation aid fluctuates based on district variables, such property value, membership and spending and state-wide variables such as total allocation, property value, membership and spending. Therefore, future consolidation and equalization aid could vary greatly from the figures shown in this study.

Source: Department of Public Instruction
District Expenses

This study *does not* consider any operational or facility cost reductions as a result of the consolidation. It is important to note that salaries and benefits typically comprise 70-85% of total expenses; adjustments to staffing levels as a result of the consolidation is routinely considered. Additionally, adjustments due to shared operational cost savings from consolidation will impact future expenditure budgets.

Fund Balance

Fund balance is a critical factor for financial planning and budgeting processes. The cash portion of fund balance is typically used to “bridge the gap” between receipt of revenues and payment of expenditures. It can also be used to fund certain expenditures. According to the Department of Public Instruction1, a district with an appropriate fund balance can avoid excessive short-term borrowing, make designated purchases or cover unforeseen expenditure needs and demonstrate financial stability and therefore preserve or enhance its bond rating.

In 2016-17 budgeted year-end fund balance is approximately 30% for both Friess Lake and Richfield, which reflects $0.70M and $1.62M respectively.

<table>
<thead>
<tr>
<th></th>
<th>Millions</th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
<td>$1</td>
<td>$2</td>
<td>$3</td>
<td>$4</td>
<td>$5</td>
</tr>
<tr>
<td>Friess Lake</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richfield</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: Department of Public Instruction

1 http://sfs.dpi.wi.gov/sfs_fundbal

![2016-17 Budgeted Expenditures and Year-End Fund Balance](image-url)
General Obligation Debt

Typically, for a consolidated district, the overall debt capacity would not be compromised. An aided K-12 district is allowed to borrow up to 10% of their equalized valuation; a K-8, UHS and zero-aid district is allowed up to 5%. The consolidated district, as a K-8 district, would have up to 5% in overall borrowing authority, calculated on the combined TID-IN equalized value.

Since June 30, 2015, the most recent data available on the DPI website, Richfield issued an Act 32, energy efficiency, borrowing. The annual principal/interest and levies for this $1.29M borrowing is included in the forecasts for both Richfield and the consolidated district. Act 32 borrowings increase revenue limit taxing authority.

The consolidated district would assume outstanding principal balances for all outstanding debt issues.

<table>
<thead>
<tr>
<th>Friess Lake</th>
<th>Richfield</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TID-IN EQ Value Fall 2015</strong></td>
<td><strong>$317,247,129</strong></td>
</tr>
<tr>
<td><strong>Legal Debt Capacity %</strong></td>
<td>5%</td>
</tr>
<tr>
<td><strong>Legal Debt Capacity</strong></td>
<td><strong>$15,862,356</strong></td>
</tr>
<tr>
<td><strong>Debt Outstanding June 2015</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>Available Debt Capacity $</strong></td>
<td><strong>$15,862,356</strong></td>
</tr>
<tr>
<td><strong>Available Debt Capacity %</strong></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Department of Public Instruction

*K-8, UHS, & ZERO AID K-12 LIMIT = 5%, AIDED K-12 LIMIT = 10%; PER WISCONSIN STATE CONSTITUTION: ARTICLE 11, SECTION 3 AND CHAPTER 67.03, WIS STATS*
Taxpayer Impact

There are two crucial questions to be answered concerning the fiscal impact of a potential consolidation. The first involves the tax impact. The obvious question is: Will my taxes rise or fall?

One way to analyze this question is to compare future tax rates to current rates. However, we must consider that, even without a consolidation, tax rates and burdens will rise or fall due to changes in enrollment, property values and the state’s complex school-finance system.

Typically, in the first year of consolidation, the tax rate for the consolidated district will fall between the projected tax rates for the individual districts. Resident enrollment, property value, spending and the consolidation aid received in the consolidated district scenario will result in future year mill rate fluctuations.

It is also important to note that Richfield has an outstanding Act 32, Energy Efficiency borrowing. This levy has been included in the forecast for both Richfield and the consolidated scenario.

<table>
<thead>
<tr>
<th>Estimated Mill Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friess Lake</td>
</tr>
<tr>
<td>Richfield</td>
</tr>
<tr>
<td>Consolidated Scenario</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Friess Lake</th>
<th>Richfield</th>
<th>Consolidated Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>$7.74</td>
<td>$5.63</td>
<td>$5.59</td>
</tr>
<tr>
<td>2012-13</td>
<td>$6.53</td>
<td>$5.99</td>
<td>$4.97</td>
</tr>
<tr>
<td>2013-14</td>
<td>$6.23</td>
<td>$6.05</td>
<td>$4.68</td>
</tr>
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<td>2014-15</td>
<td>$5.78</td>
<td>$5.85</td>
<td>$4.58</td>
</tr>
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<td>2015-16</td>
<td>$5.58</td>
<td>$5.60</td>
<td>$5.51</td>
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<tr>
<td>2016-17</td>
<td>$4.76</td>
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<td>2017-18</td>
<td>$4.42</td>
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<td>2020-21</td>
<td>$3.61</td>
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</tr>
<tr>
<td>2021-22</td>
<td>$3.41</td>
<td>$5.61</td>
<td></td>
</tr>
</tbody>
</table>

This information is for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.
**Fiscal Viability**

The second and equally important question is: *Is the consolidated district fiscally viable?*

This question relates to fiscal health of a consolidated district. Revenue Limits determine how much districts have to spend on operations. Districts experiencing declining enrollment in times of little to no increase in the revenue limit per pupil amount experience a decline in revenue limit authority and, therefore, operational revenue. Expenses do not generally align with increases or decreases in revenue limit authority. Instead, this “structural deficit” is often addressed through expenditure adjustments allowing districts to balance budgets and/or maintain fund balance policy levels.

The consolidation incentive aid and recurring revenue limit authority are key components of the fiscal stability of the newly created district. Absent of those funds, and without efficiencies and potential budget reductions, a consolidated district will face fiscal challenges similar to the individual districts.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Friess Lake</td>
<td>$2,312,473</td>
<td>$2,162,150</td>
<td>$1,977,375</td>
<td>$1,920,038</td>
<td>$1,865,677</td>
<td>$1,815,244</td>
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<tr>
<td>Richfield</td>
<td>$5,191,420</td>
<td>$5,019,279</td>
<td>$4,768,705</td>
<td>$4,529,830</td>
<td>$4,518,596</td>
<td>$4,532,570</td>
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<tr>
<td>Consolidated Scenario</td>
<td>$7,006,687</td>
<td>$6,648,006</td>
<td>$6,427,288</td>
<td>$6,368,402</td>
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<td></td>
</tr>
</tbody>
</table>

*Estimated General Fund Revenue Budget*

This information is for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.
• September resident full-time equivalency (FTE) for the consolidated district scenario is the sum of the individual districts.

• Revenue limit maximum revenue per member is based on the base revenue/resident FTE.

This information is for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.
Revenue limit authority for the consolidated district is calculated based on resident membership (FTE) x maximum revenue/member. Revenue Limit authority directly impacts operational revenue.

TIF-Out equalized valuation for the consolidated district scenario is the sum of the individual districts.

This information is for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.
### Long Term Debt and Debt Capacity as of June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>Friess Lake</th>
<th>Richfield</th>
<th>Consolidated Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>TID-IN EQ Value Fall 2015</td>
<td>$317,247,129</td>
<td>$599,540,336</td>
<td>$916,787,465</td>
</tr>
<tr>
<td>Legal Debt Capacity %*</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Legal Debt Capacity</td>
<td>$15,862,356</td>
<td>$29,977,017</td>
<td>$45,839,373</td>
</tr>
<tr>
<td>Debt Outstanding June 2015</td>
<td>$0</td>
<td>$250,709</td>
<td>$250,709</td>
</tr>
<tr>
<td>Available Debt Capacity $</td>
<td>$15,862,356</td>
<td>$29,726,308</td>
<td>$45,588,664</td>
</tr>
<tr>
<td>Available Debt Capacity %</td>
<td>100.00%</td>
<td>99.16%</td>
<td>99.45%</td>
</tr>
</tbody>
</table>

*K-8, UHS, & ZERO AID K-12 LIMIT = 5%, AIDED K-12 LIMIT = 10%; PER WISCONSIN STATE CONSTITUTION: ARTICLE 11, SECTION 3 AND CHAPTER 67.03, WIS STATS

- The consolidated district would assume outstanding principal balances for all outstanding debt issues. Richfield’s Act 32 borrowing and any subsequent borrowings between now and the potential consolidation would be assumed by the consolidated district.
Consolidation Study Fiscal Detail

- Projected levy is calculated based on revenue limit authority and referendum-approved and community service levies.

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Friess Lake</td>
<td>$1,536,844</td>
<td>$1,440,594</td>
<td>$1,270,271</td>
<td>$1,237,645</td>
<td>$1,212,427</td>
<td>$1,154,782</td>
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<tr>
<td>Richfield</td>
<td>$3,788,042</td>
<td>$3,761,467</td>
<td>$3,615,812</td>
<td>$3,498,488</td>
<td>$3,540,811</td>
<td>$3,641,910</td>
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<tr>
<td>Consolidated</td>
<td>$5,356,372</td>
<td>$4,813,343</td>
<td>$4,578,003</td>
<td>$4,521,920</td>
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</tr>
</tbody>
</table>

This information is for discussion purposes only. Baird is not recommending you take any action and these examples are provided for hypothetical purposes only.
### Consolidation Study Fiscal Detail

#### Estimated Mill Rate

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Friess Lake</td>
<td>$7.74</td>
<td>$6.53</td>
<td>$6.23</td>
<td>$5.78</td>
<td>$5.58</td>
<td>$4.76</td>
<td>$4.42</td>
<td>$3.86</td>
<td>$3.72</td>
<td>$3.61</td>
<td>$3.41</td>
</tr>
<tr>
<td>Richfield</td>
<td>$5.63</td>
<td>$5.99</td>
<td>$6.05</td>
<td>$5.85</td>
<td>$5.60</td>
<td>$6.14</td>
<td>$6.03</td>
<td>$5.74</td>
<td>$5.50</td>
<td>$5.51</td>
<td>$5.61</td>
</tr>
<tr>
<td>Consolidated Scenario</td>
<td>$5.59</td>
<td>$4.97</td>
<td>$4.68</td>
<td>$4.58</td>
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<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

- Projected mill rate is calculated based on revenue limit authority and referendum-approved and community services levies and the combined TIF-Out equalized value.

---

Total School Levy $\div$ Equalized Property Value $\times$ $1,000 = $1,000 = Mill Rate

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Mill Rate Comparables

- Sample mill rates are shown for comparison only. “Sample Consolidated YR 1” reflects consolidated scenario mill rate in the first year of consolidation. This projected mill rate is within area comparable 2016-17 ranges.
Conclusion

Unresolved Issues

Given the statutory timeline for consolidation and the complexity of the financial issues associated with it, this study reflects only the key high-level variables. There are outstanding issues that this report either does not address, or addresses only in part.

It is important to note that this financial analysis does not make assumptions about program offerings, staff reductions, or mode of delivery. Additionally, cost savings including, but not limited to, building modifications, transportation and staffing levels need to be considered. The school boards would ultimately need to decide how the consolidation would affect academic achievement.
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