



2020-21 Budget Presentation

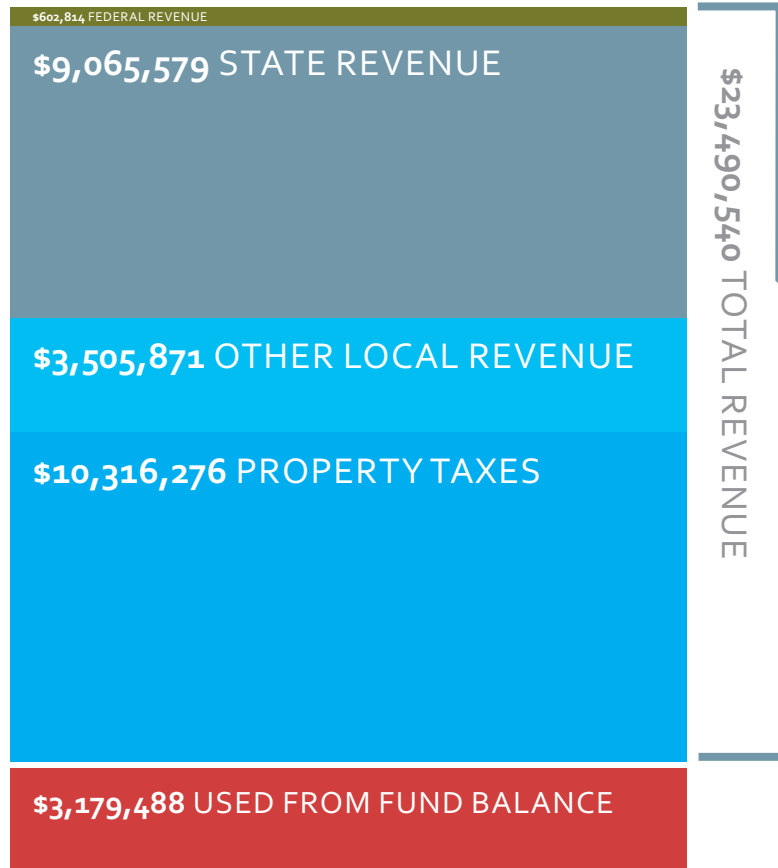
Northgate School District
April 20, 2020

NORTHGATESD.NET

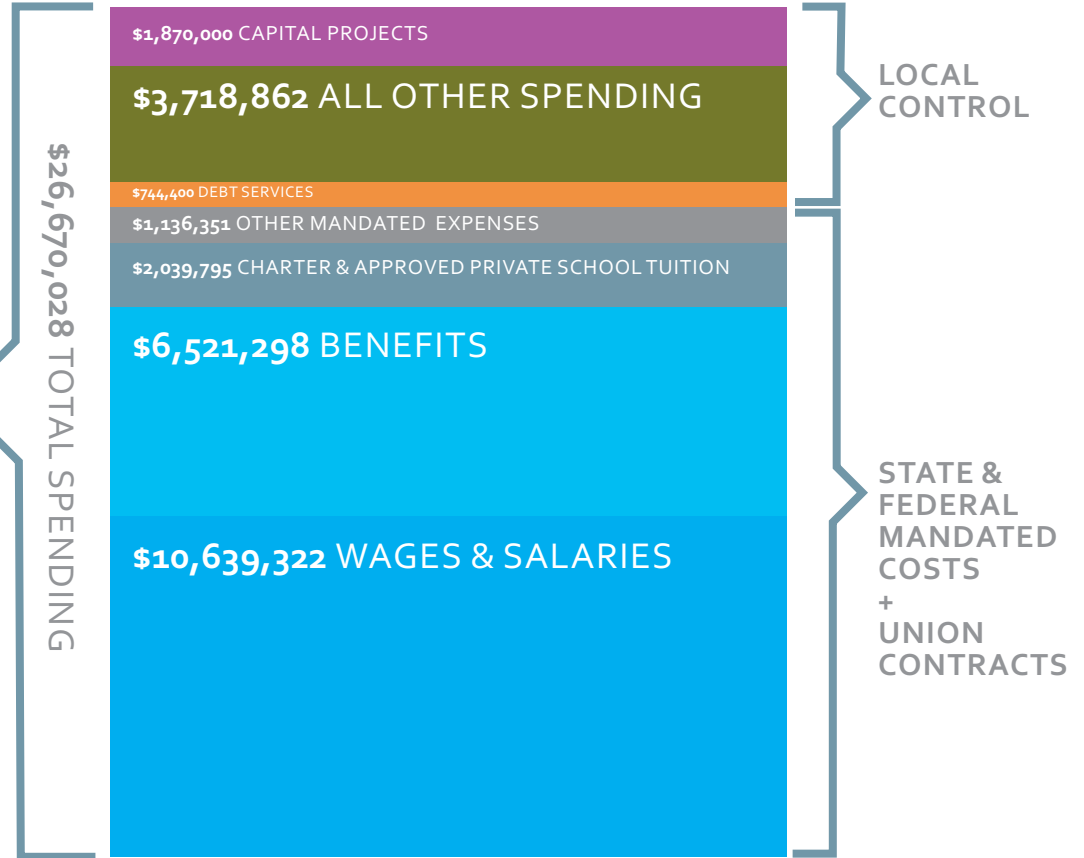
The numbers used in this report are based on information available as of 4/20/2020 and the budget will continue to be refined as new information becomes available until final passage in June.

2019-20 BUDGET REVIEW

2019-20 BUDGETED REVENUE



2019-20 BUDGETED EXPENSES



SHRINKING THE DEFICIT

Current data indicates that the actual deficit is likely to be smaller than the original projection, partly due to underspending of approximately \$700,000 on capital projects. The district is also expected to save approximately 1.8 % of its budgeted expenses through careful spending control.

Increasing property assessments, a higher tax rate, and a healthy collection rate led to an overall increase in real estate tax revenues of 5.2 % in 2019-20 which helps reduce our operating deficit.

ACCURATE PROJECTIONS

Overall our operating budget deficit is projected to be within 1.9 % of expectations.

The effects of the COVID-19 outbreak and the resulting economic shutdown have yet to be fully determined and may impact the projections.

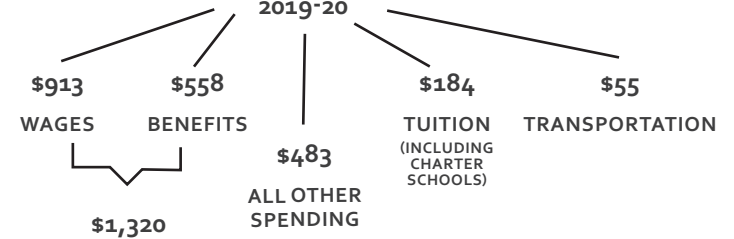
LOCAL PROPERTY VALUES

25.5
MILLAGE RATE
2019-20

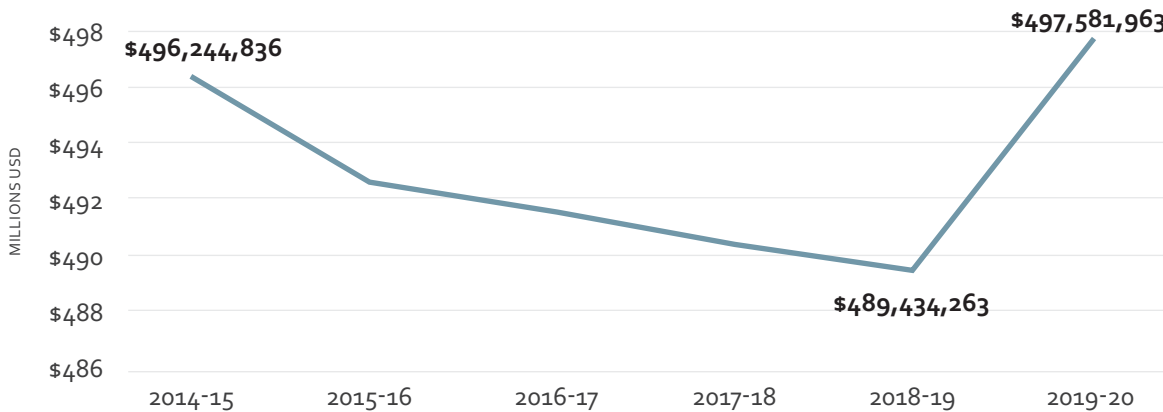
\$458,047
COLLECTABLE
VALUE OF 1 MILL
2019-20

\$98,030
AVERAGE HOME VALUE
2019-20

\$2,193
AVERAGE PROPERTY TAXES
2019-20



HISTORICAL ASSESSED PROPERTY VALUES IN AVALON & BELLEVUE



A POSITIVE SIGN

Property values declined steadily from 2014-15 to 2018-19 as property owners filed appeals of their assessments established in the 2013 Allegheny County reassessment process. This not only led to a decline in the tax base and associated revenues, but it also required the district to issue many refunds.

For the first time in many years, property values increased in 2019-20, which is a positive sign for the district and the community at large. Increasing assessments, a higher tax rate, and a healthy collection rate led to an overall increase in real estate tax revenues of 5.2 % in 2019-20 which helps reduce our operating deficit.

COST CONTROL & REVENUE GENERATING ACTIONS

The board and administration strive to make the best use of tax dollars and are always looking for ways to reduce costs and increase revenue while maintaining the best possible educational experience for our students. Below are a few examples of how that has been done over the past several years.

OUTSOURCING SUBSTITUTE SERVICE

From 2017-18 to 2018-19, the outsourcing of teacher substitutes generated a savings of approximately \$120,000. Currently it appears that there will be an additional savings of \$45,391 in savings in the 2019-20 year.

DELINQUENT TAX COLLECTIONS

Focus on identifying and following up on delinquent property tax has added revenue of \$5,705,490 over the past five years.

GRANT FUNDING

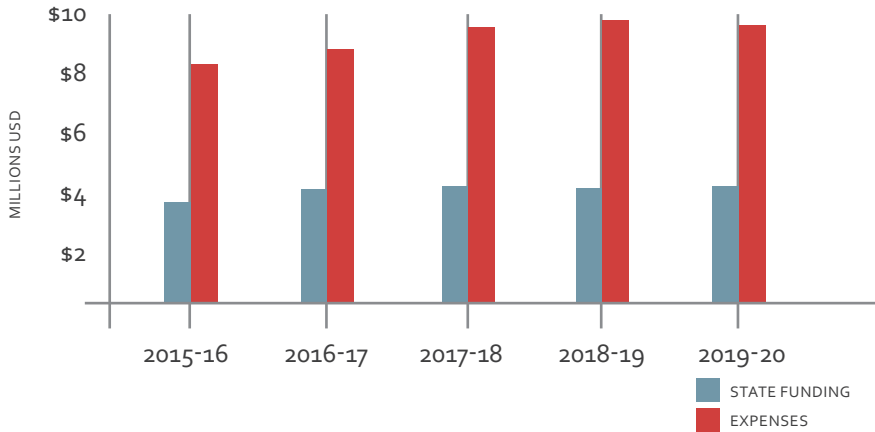
Our commitment to a safe school environment resulted in added revenue of \$321,264 last year. These funds helped pay for the installation of secured entrances, surveillance cameras, and other security enhancements. The district has also applied for an additional \$480,000 in Pennsylvania Commission on Crime and Delinquency safety grant funds for further improvements.

Our commitment to making college accessible to all students has resulted in added revenue of \$54,990 from The Grable Foundation. This money helps off-set the costs for our students to receive credit through CCAC for the college-level courses being taught at the High School.

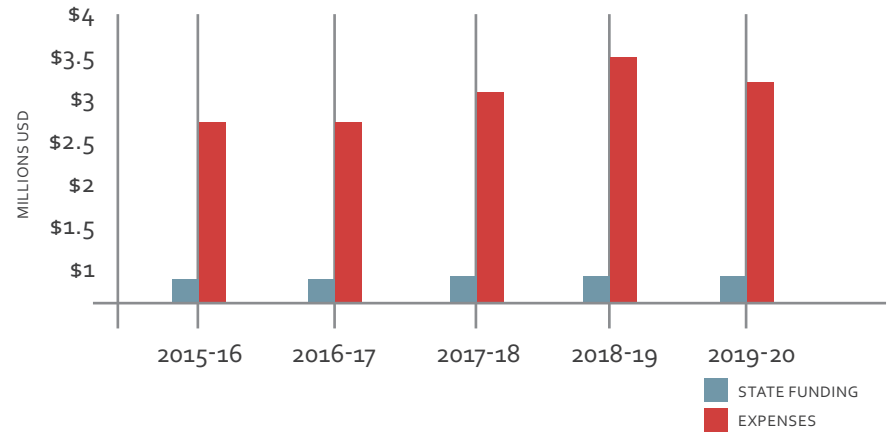
MANDATED COST INCREASES

Mandated cost increases are expenses that the district has no control over. These mandates come from the state and federal government plus negotiated contracts.

BASIC EDUCATION STATE FUNDING VS. EXPENSES INCREASES



SPECIAL EDUCATION STATE FUNDING VS. EXPENSES INCREASES

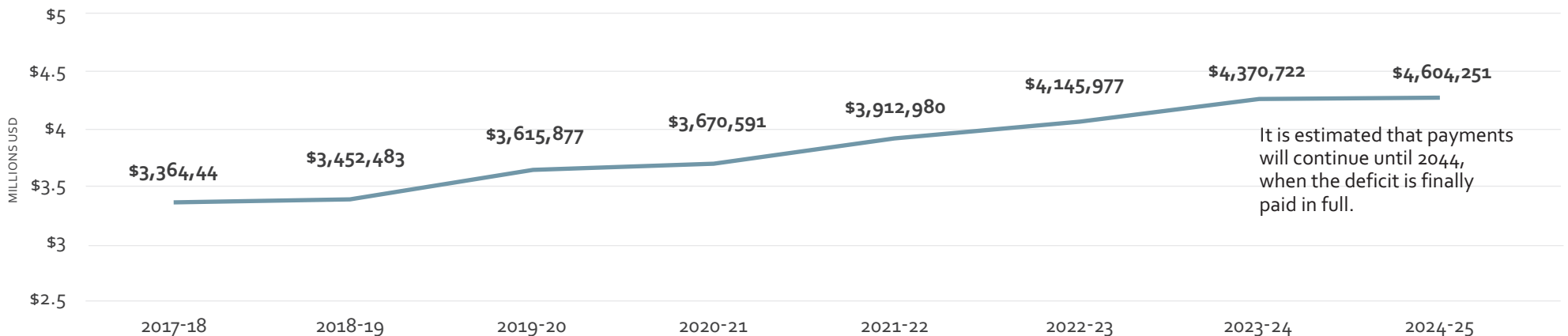


PSERS CONTRIBUTIONS

The Commonwealth Public School Employees Retirement System (PSERS) is currently underfunded by just under **\$50 billion dollars**. This is due to a suspension of contributions during the 1990s followed by two national recessions since Sept. 11, 2001. All public school districts are mandated to pay additional contributions based on the number of employees who qualify for the retirement system. Northgate's net pension liability was \$33,405,235 as of June 30, 2019 and continues to rise. Mandated pension contributions consume 13.9 % of the district's total 2020-21 budget.

Pension reform legislation was enacted in 2017, but it will take approximately 17 years before we see any relief from historically high employer contribution rates.

PSERS PAYMENT PROJECTIONS



It is estimated that payments will continue until 2044, when the deficit is finally paid in full.

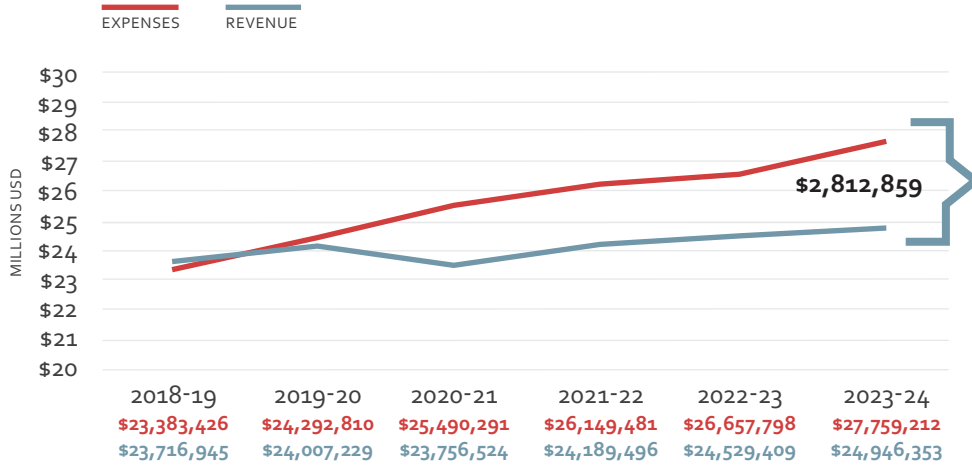
FINANCIAL PROJECTIONS - OPERATIONAL COSTS ONLY

2.31%
REVENUE INCREASE PROJECTION
 FROM LOCAL SOURCES
 OVER THE NEXT 5 YEARS

9.43%
REVENUE INCREASE PROJECTION
 FROM STATE & FEDERAL SOURCES
 OVER THE NEXT 5 YEARS

22.79%
EXPENSE INCREASE PROJECTION
 FROM STATE & FEDERAL MANDATES
 + NEGOTIATED CONTRACTS
 OVER THE NEXT 5 YEARS

REVENUE WITH NO TAX INCREASE



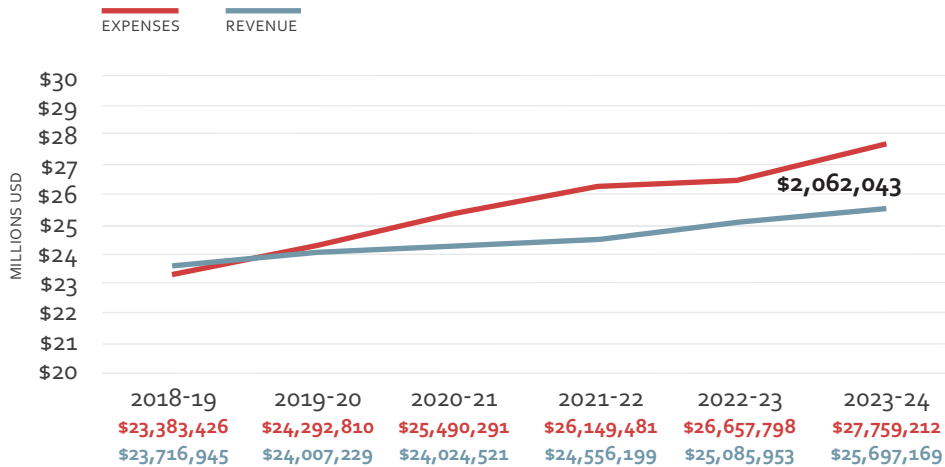
CLOSING THE OPERATIONAL COST GAP

The district has implemented a variety careful spending controls in an attempt to close the gap between revenues and expenses. A large portion of expenses, including charter school tuition*, special education, and PSERS costs are of great concern. If nothing changes gap will continue to increase at a dramatic rate and the district's fund balance will quickly be depleted.

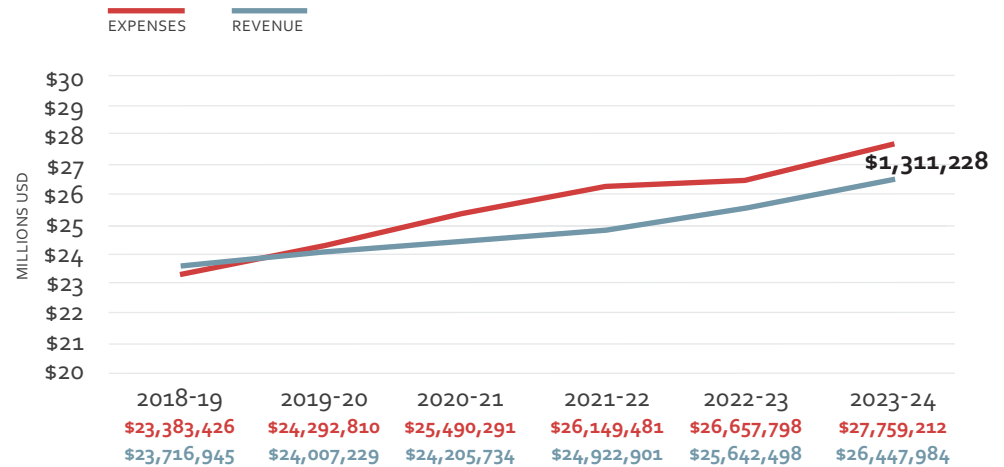
*2018-19 Charter School Costs \$1,265,906

The Act 1 Index defines the maximum percentage by which school districts can increase their tax rates without seeking voter or PDE approval to exceed that percentage under certain exceptional circumstances. The index is based on average wages and costs of employees statewide.

REVENUE WITH LIMITED TAX INCREASE



REVENUE WITH TAXING TO THE INDEX



A limited tax increase is helpful but not sufficient. A 1.65 % increase per year is shown for illustrative purposes.

Raising taxes to the index each year will get us much closer but will not close the gap completely. A 3.3 % increase is shown for illustrative purposes.

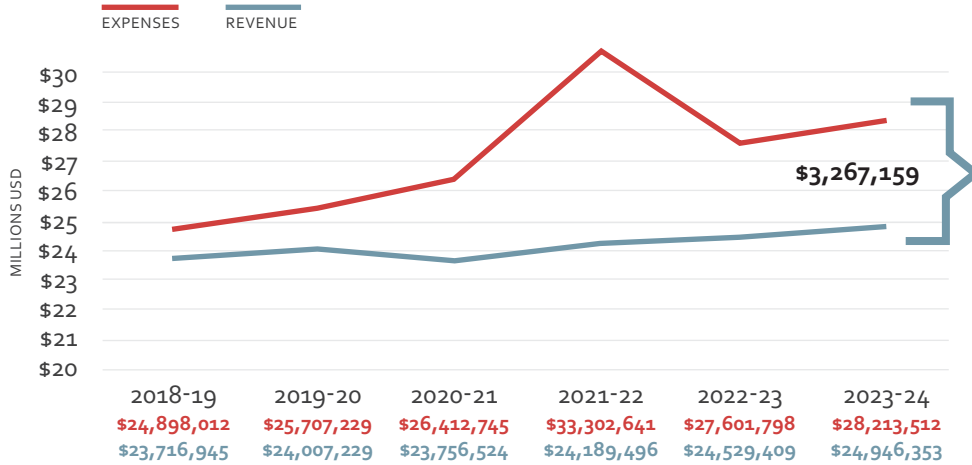
FINANCIAL PROJECTIONS - OPERATIONAL & CAPITAL IMPROVEMENTS COSTS

2.31%
REVENUE INCREASE PROJECTION
 FROM LOCAL SOURCES
 OVER THE NEXT 5 YEARS

9.43%
REVENUE INCREASE PROJECTION
 FROM STATE & FEDERAL SOURCES
 OVER THE NEXT 5 YEARS

22.79%
EXPENSE INCREASE PROJECTION
 FROM STATE & FEDERAL MANDATES
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REVENUE WITH NO TAX INCREASE

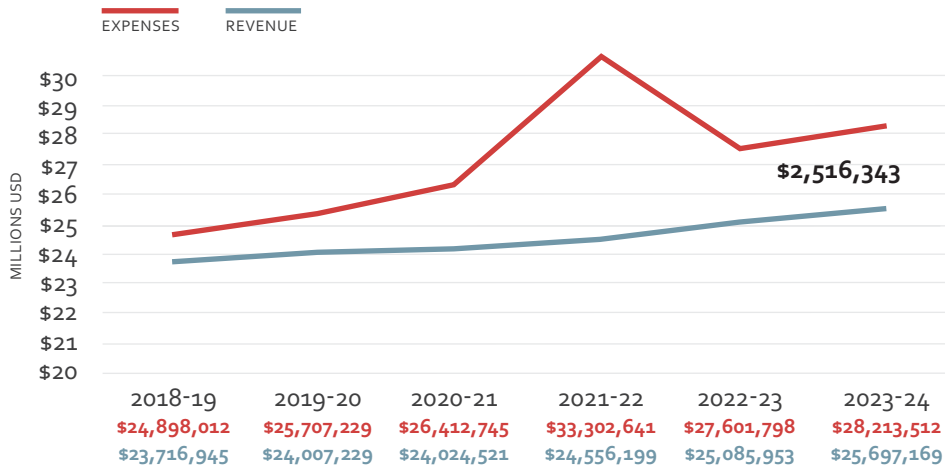


A WIDER GAP

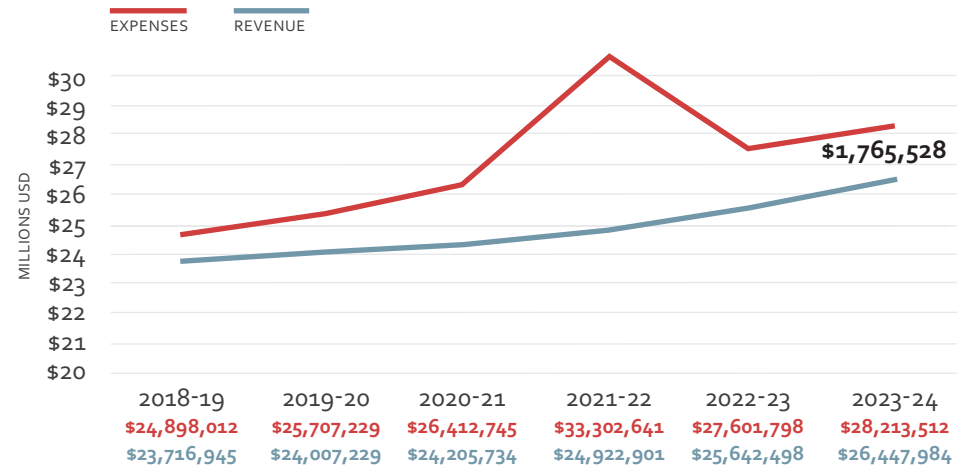
These scenarios show the combined effect of the District's operational cost deficit and planned capital improvements. The district has implemented a variety careful spending controls in an attempt to avoid depleting our fund balance but investments in facilities, technology and safety remain a top priority. The Finance Committee is considering a recommendation to borrow money to complete the critical capital improvements planned for the 2021-22 and/or 2022-23 budget years.

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REVENUE WITH LIMITED TAX INCREASE



REVENUE WITH TAXING TO THE INDEX



A limited tax increase is helpful but not sufficient. A 1.65 % increase per year is shown for illustrative purposes.

Raising taxes to the index each year will get us much closer but will not close the gap completely. A 3.3 % increase is shown for illustrative purposes.

FUND BALANCE

2018-19 FINAL
\$9,176,958
 ENDING FUND BALANCE
 34.14% OF BUDGET

ASSIGNED: \$7,026,387
 UNASSIGNED: \$2,150,571 (8%)

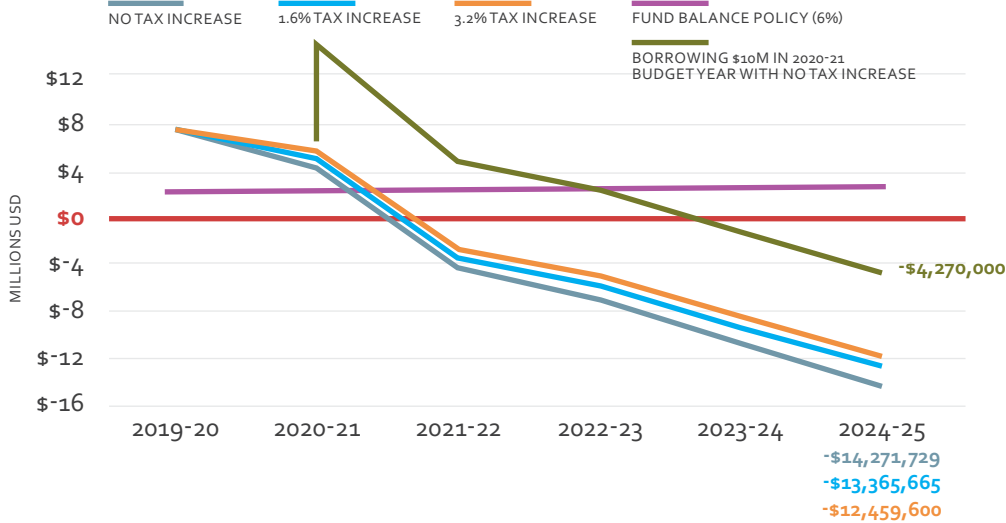
2019-20 BUDGETED
\$7,476,958
 ENDING FUND BALANCE
 28.31% OF BUDGET

ASSIGNED: \$5,611,968
 UNASSIGNED: \$1,864,990 (7.06%)

2020-21 PROJECTION
\$4,907,521
 ENDING FUND BALANCE
 14.48% OF BUDGET

ASSIGNED: \$2,815,563
 UNASSIGNED: \$2,091,958 (8%)

ENDING FUND BALANCE PROJECTIONS



A DRASTIC DROP

This drop is mainly due to spending down our assigned capital improvement portion of the fund balance as we completed several projects that were long overdue. The district completed a strategic buildings and grounds plan in 2017 which included identifying and prioritizing critical projects. All of the proposed projects are necessary but the Building and Grounds committee has worked to identify projects that can be delayed in an effort to reduce the deficit.

A secondary and more concerning reason for the drop is an increase in mandated expenses that exceeds our increase in revenues, making it necessary to draw unassigned funds to balance our annual budget.

FUND BALANCE SEGMENTS DEFINED

ASSIGNED: Reflects the school's intent to use the money for a specific purpose but is not considered restricted or committed. Assigned fund balances can be changed without formal action and do not need to be designated by the board. Examples of items that would be considered assigned include PSERS and OPEB contributions and capital projects. The assigned portion of fund balance must be identified before any of the other categories are determined.

UNASSIGNED: Represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. As dictated by the State of Pennsylvania, the unassigned fund balances can be no more than 8% of the district's total budget. The PA Association of School Business Officials recommends minimum of 6% of the district's total budget.

FUND BALANCE SEGMENT BREAKDOWN

\$9,176,958
 2018-19 FUND BALANCE

\$2,874,905 | ASSIGNED for next years deficit
 \$4,151,482 | ASSIGNED for capital projects
 \$2,150,571 | UNASSIGNED

\$7,476,958
 2019-20 FUND BALANCE

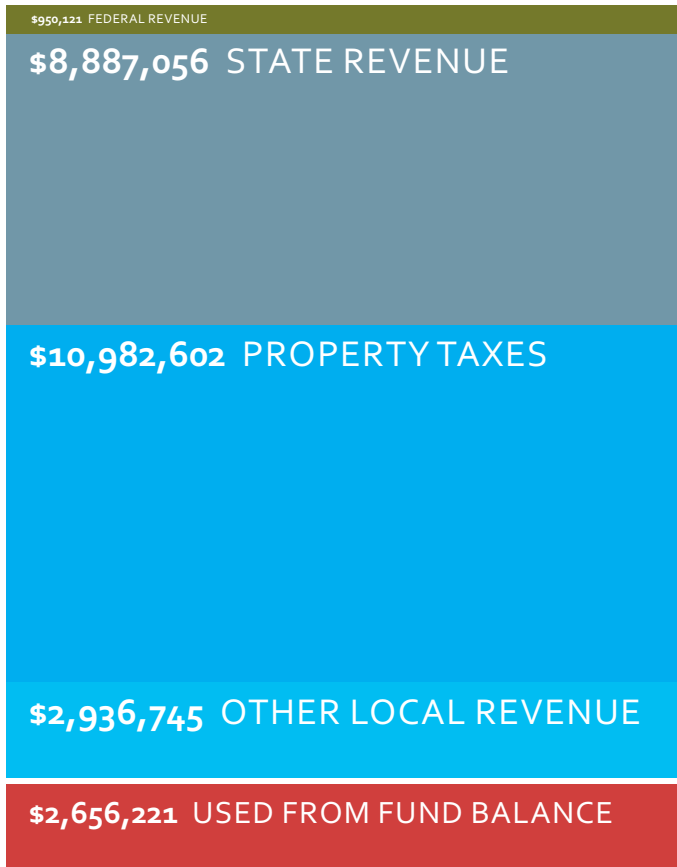
\$2,656,221 | ASSIGNED for next years deficit
 \$2,955,747 | ASSIGNED for capital projects
 \$1,864,990 | UNASSIGNED

\$4,907,521
 2020-21 FUND BALANCE

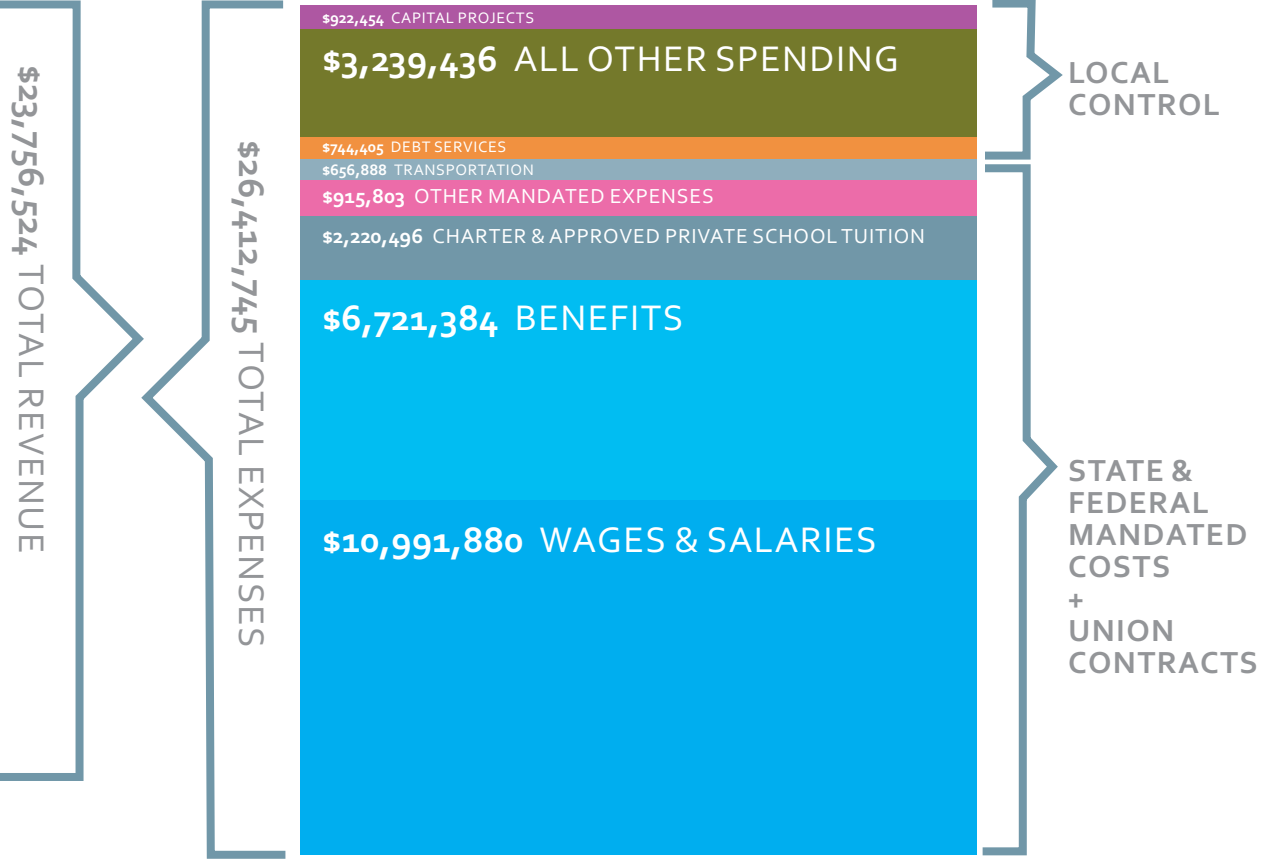
\$2,815,563 | ASSIGNED for next years operating deficit
 \$2,091,958 | Amount available for capital projects & other expenses

2020-21 BUDGET BREAKDOWN

2020-21 BUDGETED REVENUE



2020-21 BUDGETED EXPENSES



LOCAL REVENUE

Property tax revenue is projected to increase by \$369,449 from last year.

Other local revenue is projected to decrease by \$599,950 from last year.

STATE REVENUE

Both Basic Education and Special Education funding are projected to remain flat because of the COVID-19 outbreak and economic shutdown.

FEDERAL REVENUE

Federal revenue is projected to increase by \$347,307 from last year.

WAGES, SALARIES & BENEFITS

Wages and salaries are projected to increase by \$431,834 from last year.

Benefits are projected to increase by \$237,089 from last year.

CHARTER SCHOOLS

Tuition to charter school and special education placements are projected to increase by \$180,702 from last year.

2019-20 MAJOR INITIATIVES & CHALLENGES

MAJOR INITIATIVES

Curriculum

\$35,00 has been budgeted for implementation of a district cyber program. \$67,997 has been budgeted for K-8 science and computer science curriculum enhancements.

Technology

\$70,125 has been budgeted for upgrading technology including additional Chromebooks and wireless infrastructure improvements.

Capital Improvements

\$282,860 has been budgeted for the installation of secured entrances at all three buildings, and \$165,000 has been budgeted for the replacement of flooring in various classrooms at Avalon Elementary School.

MAJOR CHALLENGES

Coronavirus Pandemic

The district is expected to lose \$516,000 in revenue in due to the COVID-19 outbreak and the resulting economic shutdown.

Charter School Tuition Costs

Due to an unfair formula used by PDE to calculate charter school tuition rates, Northgate's charter school costs are increasing at an alarming rate that cannot be sustained.

Special Education Costs

The cost of educating special education students has increased dramatically in recent years as the number of students with special needs has increased. In several cases the district has had to send students with particularly severe needs to outside approved private schools.

NON-MANDATED SPENDING EXAMPLES

School Resource Officer
\$63,275

High School Musical
\$7,490

21 Athletic Programs
13 Varsity + 8 Middle School
\$348,416

These types of value added services only cost a total of \$419,181 and greatly enhance the educational experience the District is able to provide.

The total non-mandated spending is \$3,239,436 or approximately 12% of the total budget.

NORTHGATE ENROLLMENT

1,322

2013-14

737 | ELEMENTARY
585 | SECONDARY

1,330

2014-15

732 | ELEMENTARY
598 | SECONDARY

1,294

2015-16

714 | ELEMENTARY
580 | SECONDARY

1,234

2016-17

691 | ELEMENTARY
543 | SECONDARY

1,139

2017-18

644 | ELEMENTARY
495 | SECONDARY

73 Charter School Students

1,122

2018-19

638 | ELEMENTARY
484 | SECONDARY

63 Charter School Students

1,049

2019-20

619 | ELEMENTARY
430 | SECONDARY

71 Charter School Students

BUDGETING PROCESS TIMELINE

- October** | Business Manager begins developing budget based on existing contracts, collective bargaining agreements, historical expenses, etc.

- January** | School board adopts resolution stating that district will not raise its tax rate by more than the Act 1 index.
 - | Business Manager distributes budget requisition forms and instructions to administrators and department managers.
 - | Administrators and Department Managers meet with staff members reporting to them to review their requests and determine which should be approved

- February** | Pennsylvania Governor's preliminary budget is released
 - | Business Manager attends PASBO seminars to learn about implications of state budget proposal for district and projected state subsidies and legal developments.
 - | Business Manager checks estimated requisition forms for accuracy, enters requests into the budget under appropriate expense accounts and adjusts budget amounts if necessary.

- March** | Business Manager meets with Superintendent, Administrators, and Department managers to discuss their budget requests, summary reports, and questions that have arisen.
 - | Business Manager begins working with the Finance Committee on the Budget Workshop presentation.

- April 20** | Budget Workshop - Zoom Meeting - 6:30 pm

- May 11** | Board of School Directors adopts Proposed Final Budget
- May 12** | Proposed Final Budget made available for public inspection
- June 15** | Board of School Directors adopts the Final Budget
- June 16** | Business Manager submits final budget to PDE

BUILDING BREAKDOWNS

ELEMENTARY BUILDINGS

\$9,032,895

ELEMENTARY
CODED EXPENSES

\$14,593

COST PER
ELEMENTARY STUDENT

Avalon Elementary Employee Counts

Counselor	1
Crossing Guard	1
Custodian	2
Librarian	0.5
Lunch Aide	3
Maintenance	1
Nurse	0.5
Psychologist	0.3
Secretary	1
TA	8
Teacher	24.3

Bellevue Elementary Employee Counts

Counselor	1
Crossing Guard	1
Custodian	3
Librarian	0.5
Lunch Aide	3
Maintenance	1
Psychologist	0.3
Nurse	0.5
Secretary	1
TA	11
Teacher	24.6

12.67 | 1

ELEMENTARY
STUDENT-TEACHER RATIO

SECONDARY BUILDING

\$8,797,021

SECONDARY
CODED EXPENSES

\$20,458

COST PER
SECONDARY STUDENT

Secondary Building Employee Counts

Counselor	2
Crossing Guard	1
Custodian	4.5
Librarian	1
Maintenance	2
Nurse	1
Psychologist	0.3
Secretary	4
TA	7
Teacher	38.1

11.3 | 1

SECONDARY
STUDENT-TEACHER RATIO

CORONAVIRUS SHUTDOWN*

POSITIVE IMPACT

Stimulus fund revenues have been added in the amount of \$323,357. The District has not received guidance on how these funds are to be spent.

NEGATIVE IMPACT

Real Estate Transfer Taxes - reduced by 12 %	\$21,022
Earned Income Taxes - reduced by 15 %	\$241,733
Delinquent Real Estate Taxes - reduced by 25 %	\$288,266
Interest Earnings - reduced by 75 %	\$163,158
Basic Education Funding - reduced by 2.5 %	\$107,371
Special Education Funding - reduced by 1.2 %	\$11,879
Transportation Subsidy - reduced by 3.8 %	\$5,480

Total Revenue Reduction Projections **\$838,908**

Stimulus Fund Revenue Projection **- \$323,357**

Additional Use of Fund Balance Projection **\$515,551**

**Percentages are based on information from a Pennsylvania Association of School Business Officials webinar given on April 14 and have been accounted for in the 2020-21 Budget.*