

# **Northwestern Lehigh School District 2010-11 General Fund Budget**

Budget Discussion  
Wednesday, May 5, 2010  
8:00pm

# Agenda

- Review of Preliminary Budget Assumptions
- Proposed Final Budget
- Fund Balance Discussion
- Capital Reserve Discussion
- 2010-11 Millage Options

# Budget Timeline

- February 16, 2010
  - Preliminary Budget Adoption
- March 3, 2010
  - Submission of Exceptions to PDE
- May 5, 2010
  - Budget Discussion
- May 12, 2010
  - Proposed Final Budget Adoption
- June 16, 2010
  - Final Budget Adoption



## **2010-11 Preliminary Budget Highlights-February 16, 2010**

# 2010-11 Preliminary Budget Highlights as of February 16, 2010

- Total Revenue \$ 36,104,042  
$$\begin{array}{r} \text{957,098 Millage Increase (2.23 mills)} \\ \hline \$ 37,061,140 \text{ Total Revenue} \end{array}$$
- Total Expenditures \$37,075,310
- Use of Fund Balance \$14,170
- Millage rate 51.64
  - 49.41 mills (2009-10)
  - 2.23 mill increase or 4.5% increase
  - ECI/SAWW 3.4% or 1.67 mills (\$716,750)
  - Utilization of exceptions .56 mills (\$240,348)

# February 16, 2010 Preliminary Budget

- Revenue Assumptions:

- ECI/SAWW 1.67mills + Exceptions 0.56 mills
  - Total Local Real Estate Tax increase= \$957,087
- Pay-to-Play \$40,000
- Parking fees \$10,000
- State Revenues anticipated 2% increase
- Level Federal Revenues
- Minimal use of Fund Balance

- Expenditure Assumptions

- Salaries
  - Professionals 3.00%
  - Support & Admin 2.00%
  - Non-replacements
- Benefits
  - HBS 20% Increase
  - PSERS 15.3% Increase
  - Dental 5% Increase
- Increases to electric for deregulation
- Increases for cyber/charter, special education, LCTI/LCCC, debt
- Elimination of bus replacement transfer

# **2010-11 Preliminary to Proposed Final Budget Analysis**

# The Goals of This Budget...

- Maintains ALL academic programs currently in place
- Reduces building and department budgets from prior year, where possible
- Provides adequate funding for textbook and curriculum materials purchases
- Reduces the # of staffing positions across the district
- Incorporates the phase in of year 2 of the construction debt 0.48 mills



# 2010-11 Proposed Final Budget

- Estimated Millage 2010-11
  - 50.98 (49.41 + 1.57 mills), 1.57 millage increase, \$675,858
  - ECI/SAWW \$718,907, or 1.67 mills
  - Millage increase less than ECI/SAWW by \$185,107, or .10 mills
  - No utilization of exceptions
  - Phase 2 of the construction debt millage= 0.48 mills, \$206,632 which is included in the 1.57 mill increase

# Construction Debt Millage Options

	Option A		Option B	
	Millage	Amount	Millage	Amount
09-10*	0.40	\$ 169,794	0.40	\$ 169,794
10-11	0.48	\$ 206,632	0.25	\$ 107,621
11-12	-	\$ -	0.24	\$ 103,316
	0.88	\$ 376,426	0.89	\$ 380,731

\* Amount was built into the 2009-10 budget

- Phase in of the debt millage of 0.48 mills, or \$206,632 is included in the 1.57 millage increase. The district also has the ability to use the PDE approved debt exception of \$107,436, or 0.25 mills, however not necessary at this time. Based on ECI/SAWW projections for 2011-12, and the possibility that the debt exception will not be available, it is recommended to select Option A and phase all debt into 2010-11.

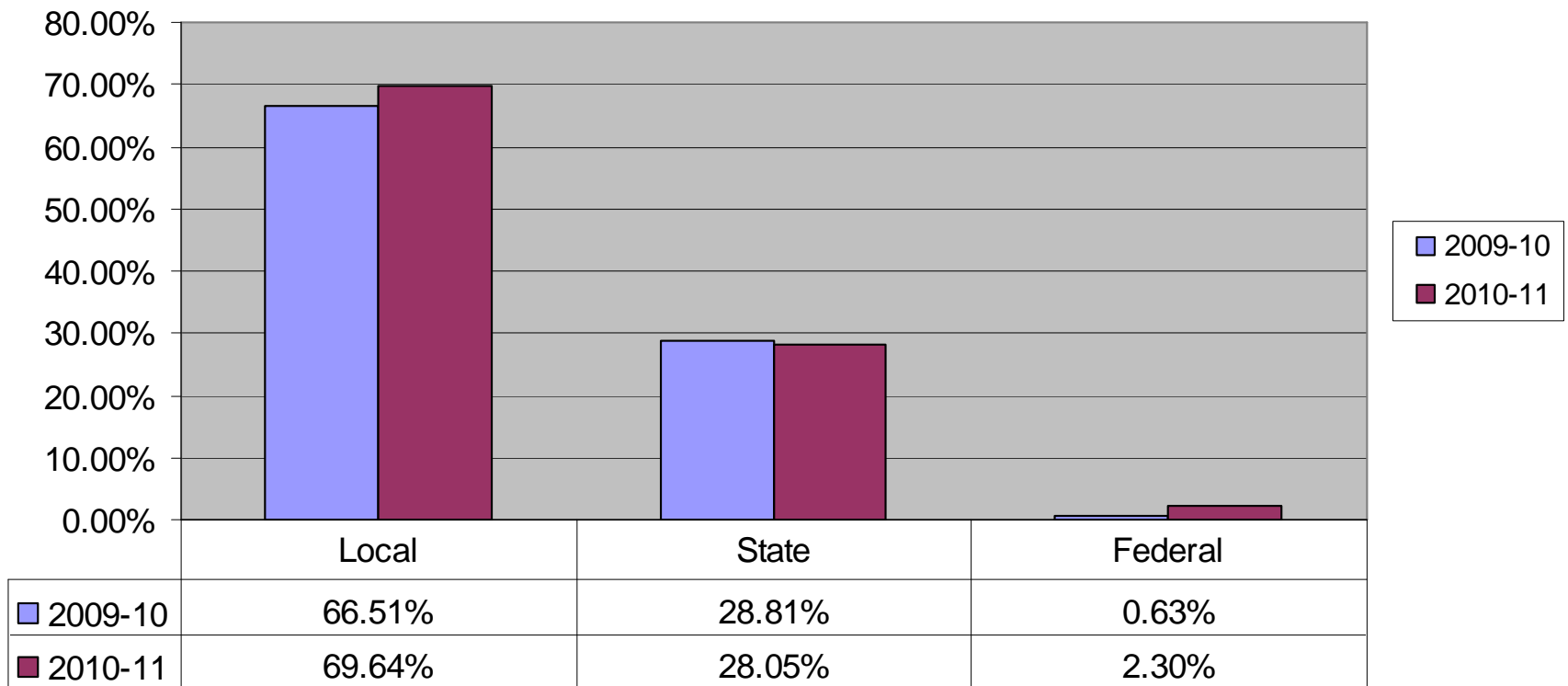
# Proposed Final May 12, 2010 Revenues-Local

Assessed Value Increased by 1,352,100 (July-April)	\$ 63,800
Earnings on Investments	\$ 50,000
Reduction of Pay-to-Play & Parking fees	\$ (50,000)
Reduction of LST Revenues	\$ (15,000)
Deferment of ARRA IDEA Funds from 2009-10	\$ 112,000
Addition of EITC funds	\$ 70,000
Changes to Other Local Revenues	\$ (2,113)
<b>Net Increase in Local Revenues</b>	<b>\$ 228,687</b>
Reclass of Gaming Revenues (From Local -State Source)	\$ (666,002)
<b>Total Net Decrease-Local Revenues</b>	<b>\$ (437,315)</b>

# Proposed Final May 12, 2010 Revenues-State & Federal

Increase in Basic Education Subsidy	\$ 25,801
Reduction of Cyber/Charter Reimbursement	\$ (20,000)
Reduction of Special Education Subsidy	\$ (25,216)
Reduction in SS & Retirement Subsidy	\$ (24,876)
<b>Net Decrease in State Revenues</b>	<u>\$ (44,291)</u>
Reclass of Gaming Revenues	\$ 666,002
Reclass of State Fiscal Stabilization Funds (SFSF)-State	\$ (624,707)
Reclass of State Fiscal Stabilization Funds (SFSF)-Federal	\$ 624,707
	<u>\$ 666,002</u>
<b>Net Increase-State &amp; Federal Revenues</b>	<u><u>\$ 621,711</u></u>
<b>Net Increase-Total Revenues (prior to millage increase)</b>	<u><u>\$ 184,396</u></u>

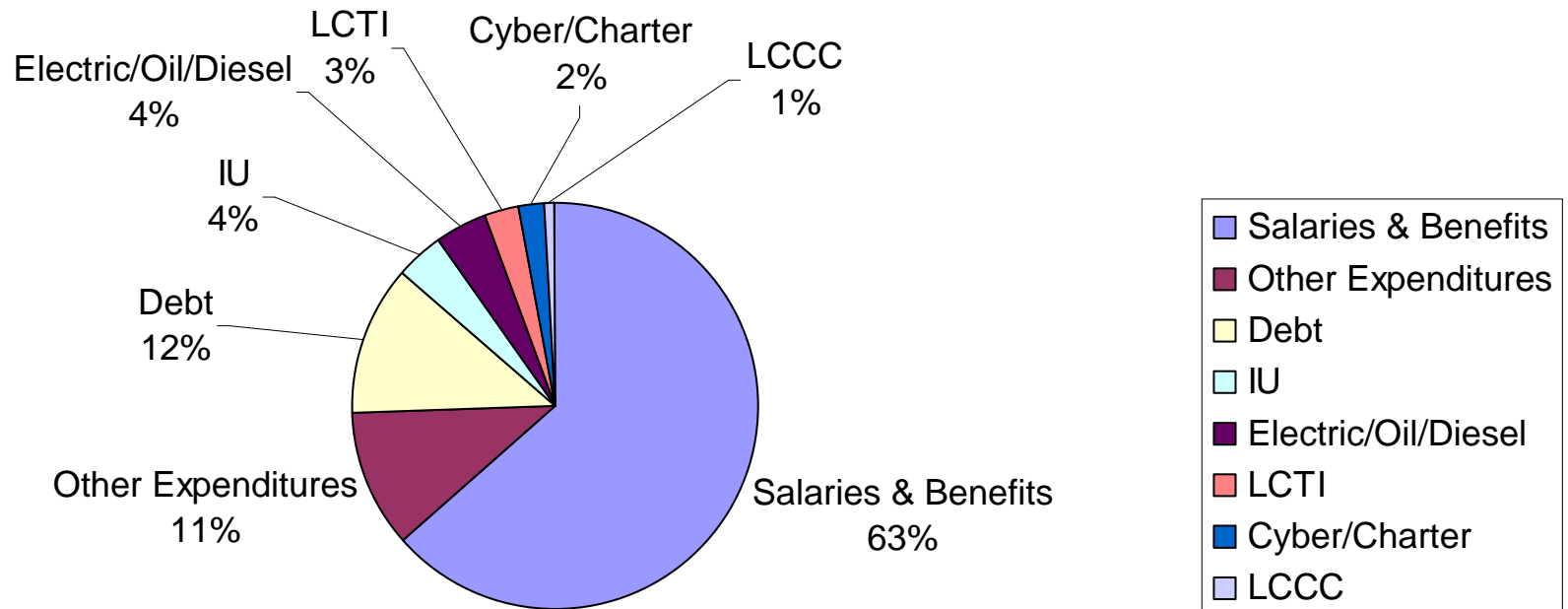
# Prior Year Comparison of Revenues



# Proposed Final May 12, 2010 Expenditures

- Salaries- All staff 3%
  - Non-replacements included
- Benefits-No changes to assumptions from preliminary budget
- Increase to department budgets to reflect updated price per gallon for diesel & heating oil (+) \$255,000
- Decrease in District Wide expenditures (-) \$281,000
- Increase in grant expenditures as a result of deferring the ARRA funds (+) \$182,000 (neutral to budget)

# Composition of 2010-11 Expenditures



- Other expenditures includes things such as copier leases, professional service contracts, maintenance contracts, software licensing, etc.

# 2010-11 Budgeted Salaries & Benefits

	Salaries	Benefits	Total Cost	% Total Budget
Professionals	\$ 11,042,846	\$ 4,501,845	\$ 15,544,691	42.05%
Administration	1,667,233	680,275	2,347,508	6.35%
Support Staff:				
Drivers	813,971	433,538	1,247,509	3.37%
Secretaries	832,336	384,245	1,216,581	3.29%
Custodians	842,642	369,995	1,212,637	3.28%
Teacher Aides	766,534	275,083	1,041,617	2.82%
Maintenance/Mechanics	550,172	240,887	791,059	2.14%
Tax Collectors	21,942	-	21,942	0.06%
	<u>\$ 16,515,734</u>	<u>\$ 6,885,868</u>	<u>\$ 23,423,544</u>	
		2010-11 Budget	\$ 36,964,316	63.37%



# Budgetary Reserve

- Preliminary Budgetary Reserve
  - \$400,000
  - \$100,000 was to be reallocated to salaries for the professional contract.
  - Total reserve established in millage
- Proposed Final Budgetary Reserve
  - \$300,000
  - Total reserve established in millage

## Use of Fund Balance

- No planned use of fund balance for the 2010-11  
Proposed Final budget

# 2010-11 Open Budget Issues

- Issues to be resolved:
  - State funding
  - Support/Administration Retirements
  - Trial (Partial) Outsourcing Custodial Services
  - Staffing/Enrollment Estimates
  - Diesel/Heating Oil Bid Prices
    - Update on CSIU bid
  - Electric Deregulation-MetEd & increased utilization w/ AC
    - Update on MetEd & PPL purchasing through Provident Energy Consultants

The Administration will continue working on the above issues to bring resolution for Final Budget Adoption in June.

# Future Considerations & Concerns

- Act 1 Index projected at less than 1% for the 2011-12 budget due to economic conditions
  - 0.50 mills, or \$219,460
- Elimination of Basic Education ARRA funding in 2011-12
- R/E assessment appeals
- Health insurance increases are projected to trend at 12% annually. Projected cost increases:
  - 2011-12 \$445,000
  - 2012-13 \$498,000
- PSERS employer projected contribution rates:
  - 2011-12 10.59%,
  - 2012-13 29.55%.
  - increase in expenditures for 2012-13 is estimated at \$3,167,000
- Potential increases in electric and heating oil once construction projects are finalized and all systems are balanced
- Gaming revenues-
  - Increased number of approved Homestead/Farmstead properties
  - Potential decrease in funds

## Future Considerations & Concerns Continued...

- Preliminary projections for 2011-12 based ONLY on known increases, result in an initial shortfall of  
(-) \$ 1,056,000 (prior to millage increase)
- Estimated ECI/SAWW for 2011-12 is 1%
  - Generates a 0.51 mill increase, or \$219,546
- PDE Anticipated exceptions available
  - PSERS

# Gaming Funds

- Timeline:
  - May 1 Lehigh County certifies eligible Homestead/Farmstead properties
  - 2010-11 Amount \$666,002
    - \$49 increase from 09-10
  - Homestead Properties 4,463
    - (+) 40 change from 0910
  - Farmstead Properties 210
    - (-) 1 change from 0910
  - Applied as a reduction in assessed value on July tax bills
- Gaming funds are included as reduction of current real estate taxes, and an increase to state revenues

# OPEB-Other Post Employment Benefits

- 2009-10
  - No amount budgeted for 2009-10
  - Recommended transfer to Reserved Fund Balance \$380,000 at June 30, 2010
- 2010-11
  - Budget \$380,000 for planned transfer at June 30, 2011

\$380,000 represents the identified annual contribution amount as determined by Conrad Siegel Actuaries.

# Capital Reserve

	<u>Projected Balance June 30, 2010</u>
Capital Improvements *	\$1,252,982
Technology	\$95,712
Buses	<u>\$288,643</u>
Total Capital Reserve	<u><u>\$1,637,336</u></u>

\* Includes a \$150,000 transfer from the General Fund.

- For 2010-11:
  - No planned transfer for Bus Replacements
- Facilities Master Plan estimated projects total \$1,036,250 through 2015



# Fund Balance

# 2009-10 Projected Budget Variances

<u>Revenues</u>	Variances	
	<u>Favorable/(Unfavorable)</u>	
Local Real Estate Taxes	\$	151,610
Interim Real Estate Taxes		(75,000)
Earned Income Tax (EIT)		(174,000)
Local Services Tax (LST)		(6,000)
Interest		10,000
Other Local		3,965
State Subsidy		(76,804)
Basic Education-SFSF		(648,000)
1305/1306 Placements		(30,000)
PSERS revenue		(6,000)
SS revenue		(7,000)
ARRA-SFSF		648,000
	<u>\$</u>	<u>(209,229)</u>
<u>Expenditures</u>		
Salaries-Professionals	\$	52,145
PSERS		400,000 *
Capital Reserve Transfers		374,000 **
Other Expenditures		313,979
	<u>\$</u>	<u>1,140,124</u>
Net Favorable Variance	<u>\$</u>	<u>930,895</u>

- Fund Balance projection is preliminary, based on analysis through April 30, 2010. Final calculations will be performed for final budget adoption in June 2010. This represents a best estimate at this time.

\* Planned variance due to anticipated increase in contribution rates

\*\* Change in proposed utilization of fund transfers

**2009-10**

## **Fund Balance Recommendations**

- Reduce actual capital reserve and bus replacement transfers from \$524,000 to \$150,000, increasing fund balance by \$374,000 at 6/30/10
- Reserve \$380,000 to continue funding the OPEB liability
- Designate \$400,000 for future PSERS increases
- Designate \$16,000 for the EBP Rate Stabilization



# Estimated 2009-10 Composition of Fund Balance

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<b>Composition of Fund Balance</b>	<b>Fund Balance 6/30/2009</b>	<b>Change 2009-10</b>	<b>Est. Fund Balance 6/30/2010</b>
Unreserved/Undesignated	\$2,532,904	\$168,918	\$2,701,822
Unreserved/Designated	\$1,381,403	\$380,000	\$1,761,403
Reserve for 1011 Appropriations	\$0	\$0	\$0
Reservation for Prepaids	\$34,023	(\$34,023)	\$0
Designations	<u>\$1,755,000</u>	<u>\$416,000</u>	<u>\$2,171,000</u>
Total Fund Balance	<u><u>\$5,703,330</u></u>	<u><u>\$930,895</u></u>	<u><u>\$6,634,225</u></u>
Total Budget	\$35,468,647		\$ 37,076,466
Unreserved/Undesignated - % of Budget	<u>7.141%</u>		<u>7.287%</u>

# Future Use of Fund Balance-PSERS

Levelized Gross Salaries/Wages		\$17,000,000	
<u>Fiscal Year</u>	<u>Projected Rate *</u>	<u>Estimated Employer Contribution</u>	<u>Excess Above 2012-2013 Contribution</u>
2010-2011	8.22	\$1,397,400	
2011-2012	10.59	\$1,800,300	
2012-2013	29.22	\$4,967,400	
2013-2014	32.09	\$5,455,300	\$487,900
2014-2015	33.60	\$5,712,000	\$744,600
2015-2016	33.27	\$5,655,900	\$688,500
2016-2017	32.74	\$5,565,800	\$598,400
2017-2018	32.06	\$5,450,200	\$482,800
2018-2019	31.27	\$5,315,900	\$348,500
2019-2020	30.42	\$5,171,400	\$204,000
2020-2021	29.56	\$5,025,200	\$57,800
2021-2022	28.75	\$4,887,500	
Projected Use of Fund Balance for Contributions in Excess of 29.22%			<u>\$3,612,500</u>

- Schedule reflects contribution rates under the current amortization schedules. Changes to the amortization are expected, however most likely with funding rates reaching 20%

# Millage Options

Available Millage:  
ECI/SAWW 1.67 mills  
Exceptions 0.56 mills



## 2010-11 Impact of Index

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Current Millage	49.41 mills
3.40% millage increase	1.67 mills
Value of 1 Mill	\$ 430,483
Allowable \$ Increase at Index	\$ 718,907
<u>Increased Expenditures:</u>	
Debt Services	\$ 560,120
PSERS (net of revenue)	\$ 110,759 *
Highmark	\$ 688,951
	<u>\$ 1,359,830</u>
Deficit prior to salary & other increases	<b>\$ (640,923)</b>

\* Amount represents increase over prior year budget. Actual contribution rate increase is \$316,000



# Millage Impact

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- Budget as proposed
  - Millage increase is 1.57 mills or 3.18% millage increase
  - This increase is 0.10 mills under the ECI/SAWW calculation of 1.67 mills
  - No utilization of exceptions
  - Total millage is 50.98 mills
  - On a home with an average assessed value of \$68,716, the tax increase will be \$108. The total average tax bill will be \$3,503.

*Note: Each 0.50 mill increase/decrease in millage requires approximately \$215,000 of added revenue or reduced expenditures, or use of fund balance.*





# Value of PDE Approved Exceptions

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PDE Approved Exceptions	Exception \$	Millage	% Increase
Debt Service (Grandfathered Debt)	\$ 107,436	0.25	
Special Education	\$ -	-	
Retirement Contributions (PSERS)	\$ 296,860	0.69	
Total Exceptions	\$ 404,296	0.94	1.90%
Increase in ECI/SAWW	\$ 718,907	1.67	3.38%
Total PDE Allowed Increase	\$ 1,123,203	2.61	5.28%



# Millage Options

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	Proposed Final	Alternate 1	Alternate 2	Alternate 3
Millage Increase	1.57	1.67	1.25	1.00
Amount	\$675,858	\$718,907	\$538,104	\$430,483
Budget (Shortfall)/Surplus	\$0	\$0	(\$137,754)	(\$245,375)
Possible Options:				
Use of Fund Balance	\$0	\$0	\$137,754	\$95,375
Capital Reserve Transfer	\$0	\$0	\$0	\$150,000
OPEB	\$0	\$0	\$0	\$0
	\$0	\$0	\$137,754	\$245,375

- For every 0.10 mill increase/decrease in millage, \$43,048 of additional revenue, expenditures, or use of fund balance is needed.

# Millage Options-Increase to Taxpayers

Property Assessment	2009-10 Tax Bill	1.00 Mill Increase Proposed Tax Increase	1.25 Mill Increase Proposed Tax Increase	1.57 Mill Increase Proposed Tax Increase	1.67 Mill Increase Proposed Tax Increase
1,000	49.41	1.00	1.25	1.57	1.67
68,716	\$3,395.26	\$68.72	\$85.90	\$107.88	\$114.76
70,000	\$3,458.70	\$70.00	\$87.50	\$109.90	\$116.90
75,000	\$3,705.75	\$75.00	\$93.75	\$117.75	\$125.25
80,000	\$3,952.80	\$80.00	\$100.00	\$125.60	\$133.60
85,000	\$4,199.85	\$85.00	\$106.25	\$133.45	\$141.95
90,000	\$4,446.90	\$90.00	\$112.50	\$141.30	\$150.30
95,000	\$4,693.95	\$95.00	\$118.75	\$149.15	\$158.65
100,000	\$4,941.00	\$100.00	\$125.00	\$157.00	\$167.00
105,000	\$5,188.05	\$105.00	\$131.25	\$164.85	\$175.35
110,000	\$5,435.10	\$110.00	\$137.50	\$172.70	\$183.70
115,000	\$5,682.15	\$115.00	\$143.75	\$180.55	\$192.05
120,000	\$5,929.20	\$120.00	\$150.00	\$188.40	\$200.40
125,000	\$6,176.25	\$125.00	\$156.25	\$196.25	\$208.75
130,000	\$6,423.30	\$130.00	\$162.50	\$204.10	\$217.10
135,000	\$6,670.35	\$135.00	\$168.75	\$211.95	\$225.45
140,000	\$6,917.40	\$140.00	\$175.00	\$219.80	\$233.80
145,000	\$7,164.45	\$145.00	\$181.25	\$227.65	\$242.15
150,000	\$7,411.50	\$150.00	\$187.50	\$235.50	\$250.50
155,000	\$7,658.55	\$155.00	\$193.75	\$243.35	\$258.85
160,000	\$7,905.60	\$160.00	\$200.00	\$251.20	\$267.20