



2012-13 Budget Discussion

Northwestern Lehigh School
District

February 8, 2012

[Discussion Items]

- Purpose
- 2011-12 Budget Recap
- Budgeting Strategies
- 2012-13 Goals

[Purpose of Tonight's Discussion]

- Provide an overview of the budget process and develop budget goals for 2012-2013

Budget Goals

- Preserve instructional programs with some modifications
- Provide appropriate class sizes
- Continue looking for areas to cut-back and do things different without negatively affecting the programs

2011-2012

[Budgeting Strategies]

(Included in 2011-12 budget)

- Other Post Employment Benefits (OPEB)
- Transportation Fleet Replacements
- Diesel/Heating Oil
- Capital Reserve Transfer
- PSERS employer rate funding
- Emmaus Bond Pool (EBP) Rate Stabilization
- Budgetary Reserve

GASB 45: Other Post Employment Benefits (OPEB)

- **GASB 45:** An accounting and financial reporting provision requiring districts to measure and report the liabilities associated with other post employment benefits (OPEB)
- OPEB does NOT include PSERS
- OPEB includes:
 - Post-retirement medical*
 - RX*
 - Dental*
 - Vision
 - Life Insurance
 - LTD
 - Long-term Care Insurance

* Items apply to NWLSD

[Purpose of GASB 45]

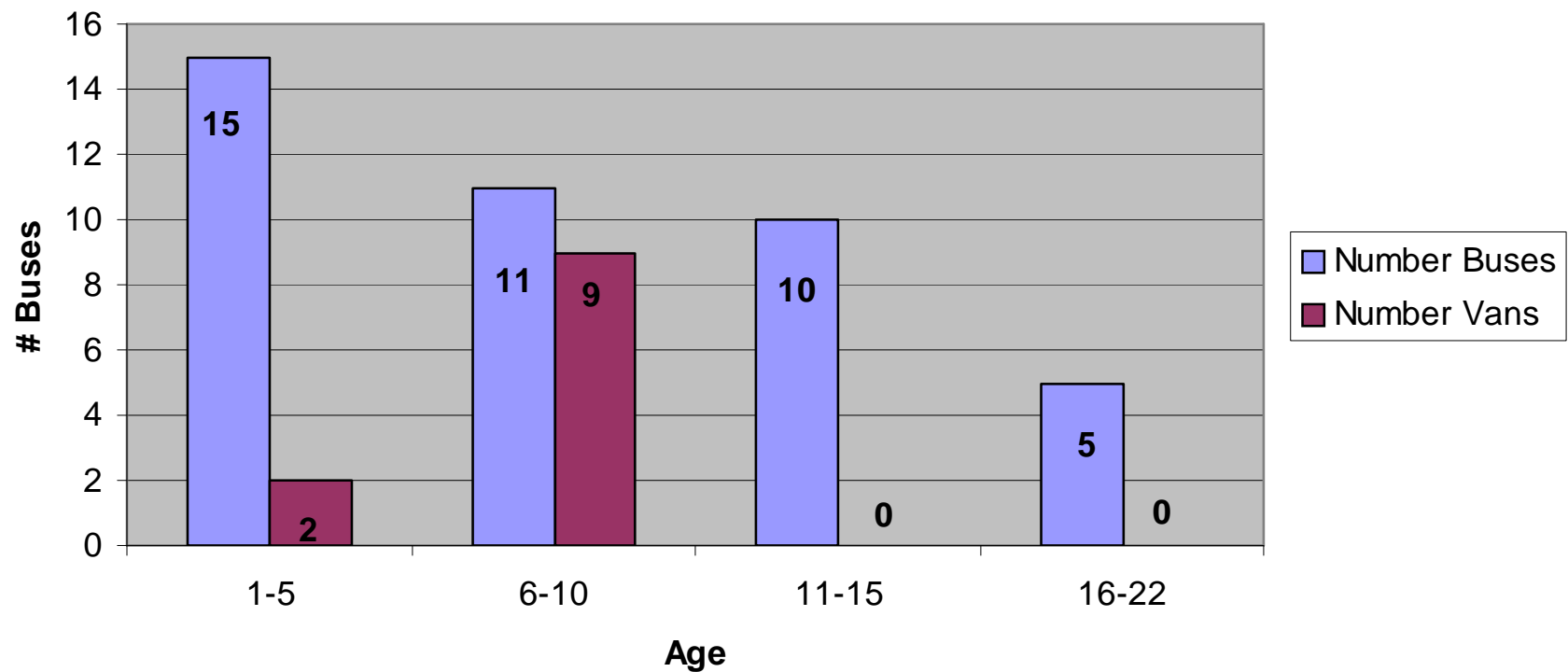
- Recognize the cost of OPEB benefits in the period when services are received (accrual method of accounting)
- Provide information about the actuarial liabilities for the promised benefits
- Provide information useful in assessing potential demands on future cash flows

Our Current OPEB Funding Structure

(As of June 30, 2011)

- Committed Fund Balance \$2,446,403
- Funding annual obligation of \$354,216
- Also, funding actual costs for retiree benefits \$294,000 (11-12)
- Estimated use of Fund Balance (11-12) \$75,000
- Total amount allocated for OPEB in budget
 $\$354,216 + \$294,000 - \$75,000 = \$573,216$

[Fleet Age (as of January 1, 2012)]



Note: Currently there are 9 spare buses and 0 spare vans. NWLSD replacement plan has been determined using a 15 year age for daily use vehicles in conjunction with mechanic analysis of fleet. In 2011-12 two daily buses are 16 years old.

2011-12

Bus/Van Replacements

- Replacements needed based on mechanic review
 - Bus 14 = 19 years old (spare)
 - Bus 27 = 15 years old (active)
 - Van 100 = 12 years old (active)
 - Van 103 = 12 years old (spare)
- Estimated cost per bus \$90,000 & per van \$25,000 (total \$230,000)
- Total Actual Cost \$214,262

Bus/Van Replacement Funding

	Est. 2011-12	Actual 2011-12	2012-13	2013-14
General Fund-Millage	\$ 100,000	\$ 230,000	\$ 175,000	\$ 200,000
Use of Fund Balance	\$ 130,000	\$ -	\$ 25,000	\$ 20,000
	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 200,000</u>	<u>\$ 220,000</u>
	2 buses 2 vans	2 buses 2 vans	2 buses 1 van	2 buses 1 van

Capital Reserve Balance-12/31/11 \$ 294,000

Note: This scenario assumes 2 bus replacements and does not use any Capital Reserve. Capital Reserve funds would be used in future years when more than 2 buses are needed for replacement.

Diesel/Heating Oil

	Avg Price Diesel	Total Gallons	Avg Price Heating Oil	Total Gallons
2007-08	\$ 2.25	88,919	\$ 2.10	139,692
2008-09 *	\$ 3.36	95,053	\$ 3.21	159,762
2009-10 *	\$ 2.17	72,638	\$ 2.11	147,462
2010-11 *	\$ 2.81	81,606	\$ 2.75	167,596
2011-12 Budget	\$ 3.50	85,000	\$ 3.50	179,300

Funding Plan				
Millage	\$ 3.00	\$ 255,000	\$ 3.00	\$ 537,900
Use of Fund Balance	\$ 0.50	\$ 42,500	\$ 0.50	\$ 89,650
		\$ 297,500		\$ 627,550

* Fluctuating rate selected as pricing method through bid process.


Recommendation: Budget \$3.50 per gallon, funding \$3.00 per gallon through millage and \$0.50 per gallon through use of fund balance. This strategy limits the expenditure increase in millage and uses fund balance reserve to mitigate the risk of high market prices.

[Capital Reserve Transfer]

	Capital Reserve
Balance-January 2012	\$ 1,117,162
Estimated Projects 2011-12	(444,653)
Remaining Projects thru 2015	(533,600)
Capital Reserve Balance 2015	\$ 138,909

NOTE: Currently there are \$0 budgeted for a transfer from the General Fund in the 2011-2012 budget. Based on the current Facility Master Plan (FMP) there are sufficient funds to finance all planned projects with a combination of Capital Reserve and General Fund dollars through 2015.

[PSERS-Projected Rates]



	ER Rate	Projected Increase	Rate in Budget	Budget Increase
08-09	4.76%		7.13%	
09-10	4.78%	0.02%	7.13%	0.00%
10-11	5.64%	0.86%	8.22%	1.09%
11-12	8.65%	3.01%	9.50%	1.28%
12-13	12.39%	3.74%	11.50%	2.00%
13-14	16.69%	4.30%	14.25%	2.75%
14-15	21.18%	4.49%	17.25%	3.00%
15-16	23.66%	2.48%	20.50%	3.25%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation. Rates include changes that were effective July 1, 2011 for new employees.

PSERS- Budget Strategy using 9.50%

	Payroll	Actual ER Cost	Budget	Planned Use of Fund Balance	Remaining Fund Balance
08-09	16,667,585	793,377	1,188,399		
09-10	16,631,746	794,997	1,185,843	-	1,330,000
10-11	16,574,883	934,823	1,362,455	-	1,830,000
11-12*	16,419,829	1,420,315	1,559,884	-	1,969,569
12-13*	16,912,424	2,095,449	1,944,929	(150,521)	1,819,048
13-14*	17,419,797	2,907,364	2,482,321	(425,043)	1,394,005
14-15*	17,942,390	3,800,198	3,095,062	(705,136)	688,869
15-16*	18,480,662	4,372,525	3,788,536	(583,989)	104,880

* Payroll costs are based on 3% annual increases for all years

Additional fund balance added in 2011-12 due to budgeted rate being higher than actual rate 9.50% (budget) vs 8.65% (actual) adds approx. \$140,000 to fund balance 6/30/12.

This funding strategy will allow the district to levelize increases as the ER Contribution rate spikes to 27.05% in 2023-2024

Emmaus Bond Pool (EBP) Rate Stabilization

- Variable Interest Rate Debt
- Historically budgeted 4% interest rate based on recommendations from PFM
- Average actual rates ranged 1.12%-2.84%
- Differential in actual to budgeted interest expenditures allocated to committed fund balance

Budgeting Strategy- EBP Rate Stabilization

	EBP GOB 2009 \$8,770,000		EBP GON 2007A \$8,500,000	
	Budget Rate	Actual Rate	Budget Rate	Actual Rate
2011-12 *	4.00%	1.88%	4.00%	1.14%
2010-11	4.00%	2.02%	4.00%	1.10%
2009-10	4.00%	2.03%	4.00%	1.14%
2008-09	n/a	n/a	4.00%	2.03%
2007-08	n/a	n/a	4.00%	2.84%

* Average interest rate to date through February 2, 2012

- 2011-12 Budget 4%, except funds \$128,448 with Committed Fund Balance
- Continues reserve in the event interest rates spike, but utilizes use of fund balance to fund the risk of interest rate spikes

Budgeting Strategy- Budgetary Reserve \$400,000

- **Purpose:** Cover expenditures that are not planned or that resulted in additional costs compared to estimates
- Historically funded through millage or a combination of millage and fund balance
- **2011-12:** Funded 100% of budgetary reserve with fund balance

Budget Goals

- Maintain instructional programs with modifications, as necessary
- Provide appropriate class sizes
- Align the budget with strategic planning mission, vision, & goals
- Develop a budget with a long-term & short-term focus
- Continue to identify areas to maximize efficiencies without negatively impacting programs

2012-2013