



2013-14 Budget Discussion

Northwestern Lehigh School
District

Finance Committee Meeting
February 6, 2013

[Discussion Items]

- 2013-14 Budgeting Strategies

Budget Goals

- Maintain instructional programs with modifications, as necessary
- Provide appropriate class sizes
- Implement strategic planning mission, vision & goals
- Develop a budget with a long-term and short-term focus
- Continue to identify areas to maximize efficiencies and reduce costs without negatively impacting programs
- Provide a funding plan to meet the district's needs while minimizing any potential tax increase to taxpayers

2013-2014

[Budgeting Strategies]

(Included in 2012-13 budget)

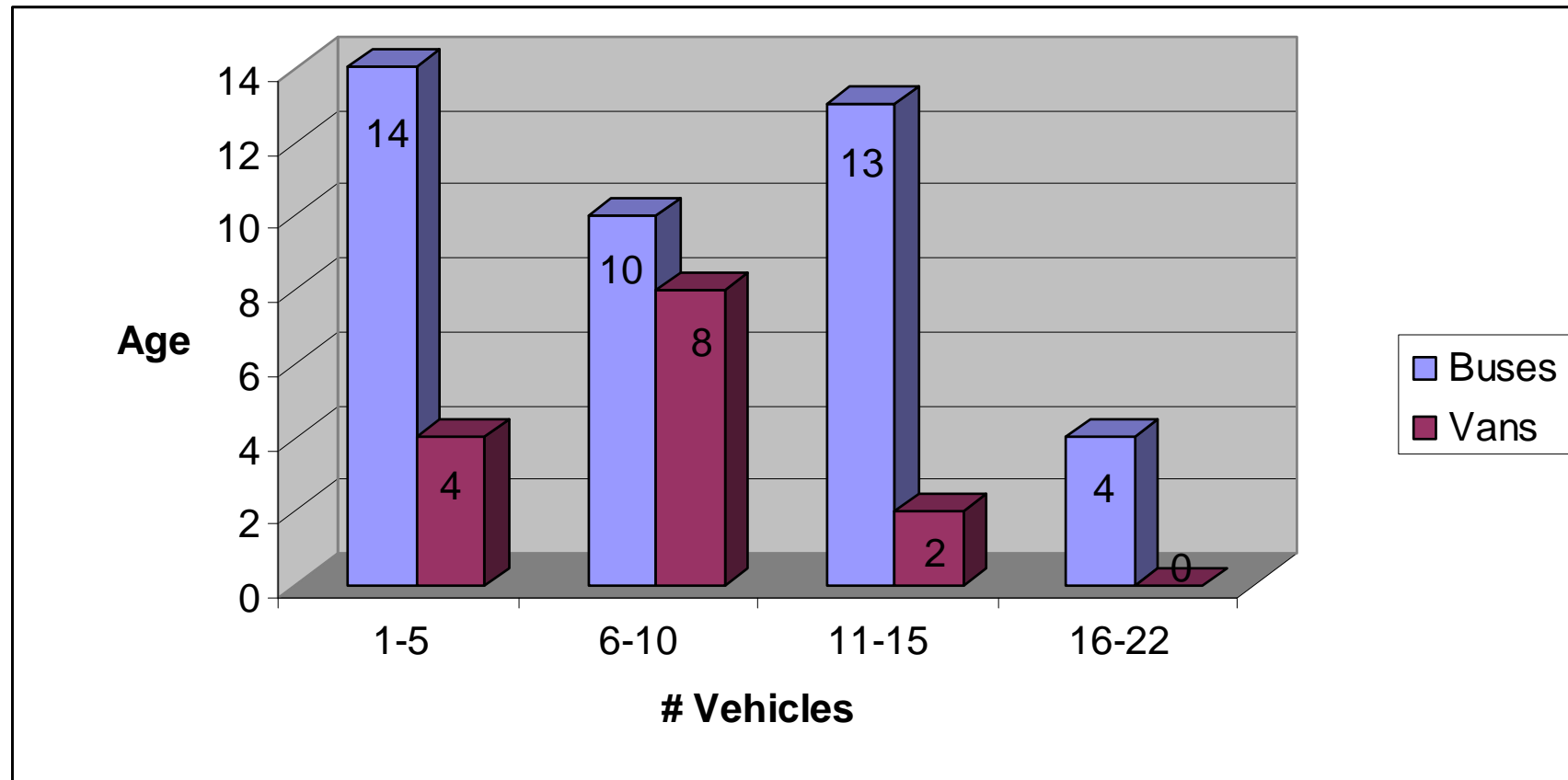
- Other Post Employment Benefits (OPEB)
- Transportation Fleet Replacements
- Diesel/Heating Oil
- Capital Reserve Transfer
- PSERS employer rate funding
- Emmaus Bond Pool (EBP) Rate Stabilization
- Budgetary Reserve

Our Current OPEB Funding Structure

(As of June 30, 2012)

- Committed Fund Balance \$2,801,403
- Funding annual obligation of \$354,216 (anticipated change based on actuarial update for 6/30/13)
- Also, funding actual costs for retiree benefits \$175,000 (12-13)
- Estimated use of Fund Balance (12-13) \$75,000
- Total amount allocated for OPEB in budget
 $\$354,216 + \$175,000 - \$75,000 = \$454,216$

[Fleet Age (as of January 1, 2013)]



Note: Currently there are 8 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 2012-13 one daily bus is 17 years old.

2013-14

Bus/Van Replacements

- Replacements needed based on mechanic review
 - Bus 22 = 22 years old (spare)
 - Bus 28 = 14 years old (active)
 - Van 100 = 14 years old (active)
 - Van 113 = 10 years old (active)
- Estimated cost per bus \$90,000 & per van \$25,000 (total \$230,000)
- 2012-13 Actual Cost \$207,928 for 2 new buses, 1 new van, and 1 used van

[Bus Replacement Changes]

- Proposed change to timing of bid process to have new vehicles ready for start of school year
- In transition year (1314)
 - 2 buses: capital reserve (Spring 2013)
 - 2 buses: general funds (Winter 2014)
- Replacement of funds to capital reserve with any year end surplus

[Diesel/Heating Oil Bid History]

	Type of Pricing	Bid Method	Diesel		Heating Oil	
			Firm Price/Gallon	Actual Average Price/Gallon	Firm Price/Gallon	Actual Average Price/Gallon
2007-08	Firm	NWL	n/a	\$ 2.25	n/a	\$ 2.10
2008-09	Fluctuating	CSIU16	no bid	\$ 3.36	no bid	\$ 3.21
2009-10	Fluctuating	NWL	\$ 2.5084	\$ 2.17	\$ 2.4236	\$ 2.11
2010-11	Fluctuating	CSIU16	\$ 2.7026	\$ 2.81	\$ 2.7172	\$ 2.75
2011-12	Fluctuating	CSIU16	\$ 3.5050	\$ 3.21	\$ 3.3892	\$ 3.13
2012-13	Fluctuating	CSIU16	\$ 3.4352	\$ 3.42 *	\$ 3.3346	\$ 3.15 *

* Based on purchases through December 2012



Columns represents the firm price/gallon based on bid results

[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 *	\$ 3.21	80,128	\$ 3.13	100,177
2012-13 Budget	\$ 3.75	82,800	\$ 3.75	160,000

Funding Plan	Diesel		Heating Oil	
Millage	\$ 3.25	\$ 276,250	\$ 3.25	\$ 520,000
Use of Fund Balance	\$ 0.50	\$ 42,500	\$ 0.50	\$ 80,000
		\$ 318,750		\$ 600,000

* Fluctuating rate selected as pricing method through bid process.

Recommendation: Based on the assumption of selecting fluctuating rates, continue to budget \$3.75 per gallon, using a combo of millage and fund balance to be determined closer to budget adoption. Based on consumption after winter, lower gallons

[Capital Reserve Transfer]

	Balance
Capital Reserve- 12/31/12	1,188,448
Refi Savings -1213 Transfer	193,000
	1,381,448

GOB 2007A Refi	105,000
GOB 2008 Refi	110,000
Proposed 1314 Transfer	215,000

**Proposed
Transfer
for 2013-14**

NOTE: The 2012-13 budget includes a planned transfer into Capital Reserve using the refinance savings from the GOB 2007 A. Using the refinance savings to transfer to Capital Reserve allows the savings to be allocated to future capital projects without increasing the general fund budget.

[PSERS-Projected Rates]

Estimated 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	12.36%	3.71%	11.50%	2.00%
13-14	16.93%	4.57%	15.00%	3.50%
14-15	21.31%	4.38%	18.50%	3.50%
15-16	25.80%	4.49%	22.00%	3.50%
16-17	28.30%	2.50%	25.50%	3.50%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation.

PSERS- Budget Strategy using 15%

Estimated Total Costs					
	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	16,154,164	911,095	1,327,872	-	1,830,000
11-12	16,207,232	1,401,926	1,539,687	-	2,250,000
12-13	16,737,537	2,068,760	1,924,817	(143,943)	2,106,057
13-14*	17,239,663	2,918,675	2,585,949	(332,725)	1,773,332
14-15*	17,756,853	3,783,985	3,285,018	(498,968)	1,274,364
15-16*	18,289,559	4,718,706	4,023,703	(695,003)	579,361
16-17*	18,838,245	5,331,223	4,803,753	(527,471)	51,890

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

This funding strategy will allow the district to levelize increases as the ER Contribution rate spikes to 31.43% in 2034-35

Emmaus Bond Pool (EBP) Rate Stabilization

- Variable Interest Rate Debt
- Historically budgeted 4% interest rate based on recommendations from PFM
- Average actual rates ranged 1.10%-2.84%
- Differential in actual to budgeted interest expenditures allocated to committed fund balance
- Consider reducing to 3% in 2013-14

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
2007-08	n/a	n/a	4.00%	2.84%
2008-09	n/a	n/a	4.00%	2.03%
2009-10	4.00%	2.03%	4.00%	1.14%
2010-11	4.00%	2.02%	4.00%	1.10%
2011-12	4.00%	1.81%	4.00%	1.27%
2012-13*	4.00%	1.61%	4.00%	1.41%

* Average interest rate to date through January 14, 2013

- 2012-13 Budget 4%, except funds \$189,800 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
- **2012-13:** Funded 100% of budgetary reserve with fund balance

[Open Budget Items]

- Retirements
- Staffing/Enrollment Estimates
- Diesel/Oil bid prices
- PPACA healthcare implications
- State Revenues
- Capital Reserve Funding