

# A Guide to Understanding the Budget Process 2013-14

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## Superintendent's Message

April 2013

Dear Employees, Parents, Community Members, and Students,

Northwestern Lehigh School District is a great place to learn and work. As we finalize our budget, you will see that all programs with strong enrollment and effective class sizes are maintained. The administration will present a Proposed Final budget to the Board of School Directors on May 15, 2013. ***For the third consecutive year, the 2013-14 budget will be presented with no tax increase.***

I am proud of our employees for working together to maximize our resources with the goal to meet the needs of our students who learn here and the adults who work here. Each administrator developed budgets after gaining input from their respective employees. Then they met with the Superintendent, Assistant Superintendent, Business Administrator, Assistant Business Administrator and Human Resources Director to further vet and refine the budget.

The Board of School Directors participated in budget discussions in board meetings in February, March, and April. They will continue to have the opportunity to provide feedback and ask questions at our Finance Committee Meeting on May 1, the Board Meeting on May 15, and the Finance Committee Meeting on June 5. It is our plan to have Board action on the budget on June 19, 2013. Please feel free to join us at any of the meetings listed above to hear board discussion or provide comment.

Other districts across the state and region are once again making significant cuts to programs and staffing which are eliminating opportunities for students in many areas. While we all feel the effects of the cuts we made over the last five years, Northwestern continues to be financially and educationally sound. Northwestern Lehigh employees provide a strong foundation for the continued success of our students.

The state and national financial forecast is still not strong. We need to continue to be conservative with our spending. The School Board and District employees remain committed to providing a rigorous education, healthy food choices, efficient facilities, and safe transportation for our children. I challenge each employee to find ways to maximize our resources so Northwestern Lehigh may continue to provide a high quality, fiscally responsible education for our children.

A handwritten signature in black ink that reads "Mary Anne Wright".

# District Mission & Vision

**Mission**

It is the mission of the Northwestern Lehigh School District to educate, challenge and inspire our students with a commitment to excellence through learning.

**Northwestern Lehigh... Excellence through learning!**

**Educate, Challenge & Inspire!**

**Vision**

The Northwestern Lehigh School District will strive to create an environment where all students will have the opportunity to participate in highly engaging, authentic learning experiences that meet the needs of all of our students. Our students will learn the critical thinking, communication, collaboration, and problem solving skills necessary to adapt and navigate in a global society driven by twenty-first century technologies. Students will

be encouraged to take calculated risks to reach their full potential. Our students will be challenged to become well-rounded students, with personal and educational goals, who have multiple opportunities to participate in extracurricular activities that enhance their social, mental and physical beings. Faculty and staff will engage in relevant, meaningful professional development to be current in best instructional practices and technologies. We will examine essential learning questions facing our students to give students the tools to become reflective learners. Together faculty, staff, students, parents and community will utilize our collective talents to provide opportunities for students to demonstrate a sense of pride, mutual respect, and a strong work ethic.

To learn more about the district's Strategic Plan visit [www.nwlehighsd.org](http://www.nwlehighsd.org) and click on Academics > Strategic Planning 2013-2016.



## What is the purpose of the budget?



The purpose of the budget is to meet the educational and fiscal goals of the District by supporting the mission and vision, planning for the operational needs of the district and maintaining financial integrity. The budget is the spending plan for the school year which begins July 1st annually and ends June 30th.

## 2013-2014 Budget Goals

- Maintain instructional programs with modifications, as necessary
- Provide class sizes consistent with policy guidelines
- 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



## What are the challenges for 2013-2014?

- Increasing mandates on the educational and administrative processes
- State budget constraints which may result in lower funding to the district
- Increasing costs for healthcare and retirement
- Facility planning and project funding, specifically for renovations at the High School
- Lehigh County Reassessment and the impact to Northwestern Lehigh taxpayers

## Budget At A Glance

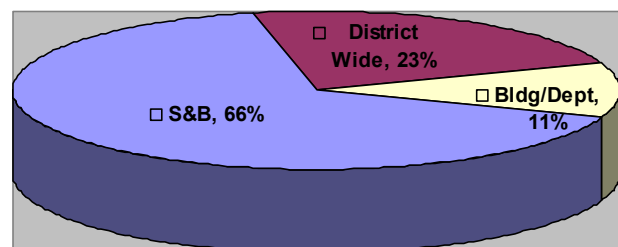
For 2013-14, Northwestern Lehigh's estimated budgeted revenues are \$36.8 million and estimated budgeted expenditures are \$37.5 million dollars.

Local revenues account for 69.7% of the total revenues budgeted, State revenues account for 29.7% of the total budgeted revenues, and Federal revenues account for 0.6% of total revenues. Local revenues consist of real estate taxes, realty transfer taxes, earned income taxes, interest earnings, contributions/

donations and other smaller revenues.

Salaries and benefits account for 66% of total budgeted expenditures, building and department budgets account for 11% of the total budget and district wide expenditures such as payments to the Carbon Lehigh Intermediate Unit, Lehigh Career and Technical Institute, and Lehigh Carbon Community College, along with cy-

ber/charter school payments, debt reimbursement, and budgetary reserve account for 23% of total budget expenditures.



## Revenue Dynamics– What Affects Revenues?

**Real estate taxes** are the single largest source of revenues. Changes in assessed values and overall housing market conditions affect real estate taxes. Similarly, **Real Estate Transfer Taxes** fluctuate based on the increases/decreases in sales price and volume throughout the year.

**Earned Income Taxes** are affected by the personal income of the residents living in the community.

**Interest Income** fluctuates with the market and economic condi-

tions in the economy similar to a person's interest rates on personal savings accounts.

**State Revenues** are dependent on the state budget which in recent years has seen deficits, and resulted in flat or reduced funding to the district.

**Contributions/Donations-** the district receives significant support from the Northwestern Lehigh Educational Foundation (NWLEF) which contributes in excess of \$100,000 annually to the district.

**Federal Revenues** receives Federal Grant funds for Title I and II programs which account for less than 1% of the total budgeted revenue.

## Expenditure Dynamics– What Affects Expenditures?



**Salaries and benefits** account for the largest percentage of the budget, so salary increases and benefit increases to healthcare and retirement account for a large portion of the overall budget increases annually.

Annual increases to **utilities** such as heating oil and electric are mitigated through contracts and consortium purchasing with other school districts.

General increases for **supplies, technology**, etc. are factored into the budget process.

Many of the **general operating costs** are negotiated or competitively bid to ensure the district is getting the best price for things such as educational supplies, custodial supplies, buses and vans, transportation parts such as tires, etc.

## How does the district determine if there will be a tax increase?

Act 1 of 2006 Property Tax Relief limits the school district's ability to raise taxes. The state publishes an annual Index for each school district.

### Where does the Index come from?

- Calculated by averaging the percentage increases in PA statewide average weekly wages and the Federal Employment Cost Index for elementary and secondary schools

- ECI/SAWW– Employment Cost Index/Statewide Average Weekly Wages

### What's the Purpose?

- Intended to limit tax increases to a cost of living index
- 2013-14 base index is 1.7%, NWL is adjusted to 2.0% based on the district's wealth
- Maximum allowable tax increase

for 2013-14 0.32 mills or \$458,000 new tax dollars

The annual budget process reviews options for potential tax increases, and the final budget adoption in June determines whether there will be a tax increase to the millage rate for the July tax bills.

## What has the district done to save money?

- Through **retirements and staff planning**, since 2009-10, the district has eliminated 28 staff positions, saving approximately \$2,400,000 annually
- **Contracted custodial services** at Weisenberg Elementary have saved the district an estimated \$185,000 since 2010-11 and is estimated to save an additional \$68,000 in 2013-14
- Two **bond refinancings** which resulted in approximately \$1.9 million in savings
- **Consortium efforts to purchase electric** have saved \$60,000 since electric deregulation in 2010, and another \$57,000 is estimated to be saved in 2013-14 as a result of efforts to reduce consumption and lower negotiated rates
- Overall **reduction in substitutes and overtime** district-wide which has saved approximately \$150,000 since 2009-10
- **Centralized purchasing** of large technology items and software licenses to take advantage of bulk discount pricing.



## How is the budget developed?



**The district follows an annual budget timeline which is mandated by the Pennsylvania Department of Education (PDE).**

**July through October**— The Business Office works to close the financials from the previous fiscal year, works with the financials in the current fiscal year and begins preliminary planning for the next school year budget. The District's independent auditors review the

financials in September from the previous fiscal year and the district submits the audit results to the Pennsylvania Department of Education.

**November-December**— Buildings and departments develop their respective budgets and work with staff to discuss needs for the upcoming year. Preliminary budget is presented to the School Board in December.

**January**— Building Principals and Department Supervisors meet with the Superintendent, Assistant Superintendent, Business Administrator and Assistant Business Administrator to discuss budget plans and funding.

**January– April**— Budget plans continue to be refined, and

budget specific topics are discussed at the monthly Finance Committee meetings.

**May**— Proposed Final Budget Adoption by the School Board. A comprehensive budget document is presented and made available to the public for review prior to final adoption.

**June**— Final Budget Adoption by the School Board.

**July**— Based on the approved millage rate, real estate tax bills are issued to all residents.

## Highlights for 2013-14



- All educational programs with strong enrollment will be preserved
- The district received board approval on March 20, 2013 to proceed with purchasing two new **buses** and two new **vans** for the 2013-14 school year.
- An estimated \$210,000 will be spent on new **textbooks/ materials** for elementary social studies and middle/high school math curriculums, and Spanish.
- 230 new **computers and enhanced security and storage capacity extra space** for technology infrastructure are expected to be replaced as part of the district's technology planning. All **educational subscriptions** are expected to be renewed.
- As part of the **strategic planning** process, \$90,000 has been budgeted for staff professional development, materials, and equipment to address specific goals outlined in the plan.

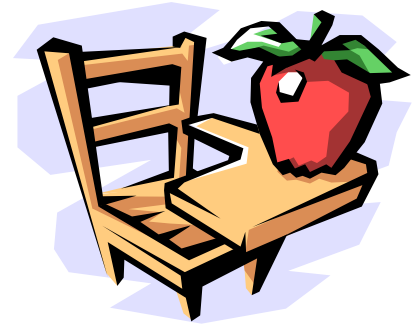
## When will Staffing Plans be finalized?

The Administration develops the staffing plan annually. Meetings are held with building and department administrators to discuss upcoming retirements and replacements.

The staffing plan is presented to the school board and associated salary and benefits

changes are incorporated into the budget. The School Board approves staff increases to wages in May-June.

Changes to salaries and benefits are effective July 1st for 12 month staff, or the start of school (Aug-Sept) for 10 month staff.



## Class Size Projections

Projections for class sizes for 2013-2014 indicate that almost all classes K-8 are within the policy for class size guidelines. High school classes are not yet determined.

The following list represents our guidelines.

Please remember that guidelines are guides and not absolutes:

- **K-1** 17-22
- **2-3** 18-24
- **4-5** 18-25
- **6-9** 20-26

- **9-12** Dependent on course enrollment. For the most part, we do not run classes with less than 10 students.

## District's Rating & Bond Refinancing Saves \$968,000

In February 2013, the District refinanced its General Obligation Bond Series of 2008. The refinancing lowered the average interest rate on the bonds from 3.85% to 2.35%, **saving tax-**



**payers approximately \$968,000** over the remaining life of the debt.

The district worked with its financial advisor, bond counsel, underwriters, and Standard & Poors rating agency to coordinate the refinancing which consisted of due diligence phone conferences, preparation and review of bond documents, and two phone interviews with the Business Administrator to discuss the district's financial status and operations.

Through this process, the **district's credit rating was upgraded**, which contributed to the overall savings. The **district's rating was upgraded from A+ to AA-**. The S&P report cited "the upgrade reflects **conservative budgeting practices** that year yielded general fund surpluses and a significant amount of financial flexibility."

## Lehigh County Reassessment

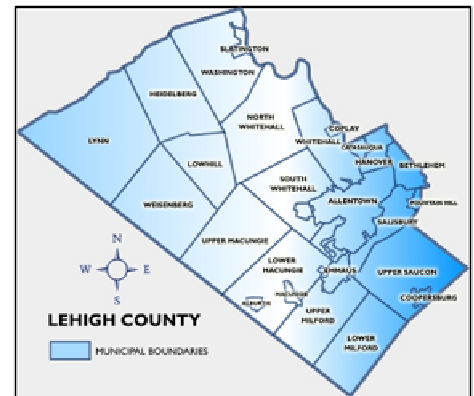
January 1, 2013, Lehigh County's reassessment process for all properties became effective. The district's 2013-14 School Real Estate Tax bills will be calculated using the new assessed values as determined by Lehigh County.

Northwestern Lehigh's new tax millage rate is estimated to be 15.9631 mills, which assumes a 0 mill tax increase as part of the

2013-14 budget process. While the new millage rate generates the same about of total real estate taxes for NWL, reassessment will affect each taxpayer differently depending on the result of their assessed value change.

For more information about Lehigh County Reassessment, you can visit [www.mylehighcountyproperty.com](http://www.mylehighcountyproperty.com)

or view the Reassessment Fact Sheet posted on the District's website under the Business Office webpage.



For additional information on the budget, including budget presentations to the board and other financial documents, visit the Business Office webpage on [www.nwlehighsd.org](http://www.nwlehighsd.org). For specific questions pertaining to district finances or the budget process, contact Leslie Frisbie, Business Administrator at 610-298-8661 extension 1272, or via email at [frisbiel@nwlehighsd.org](mailto:frisbiel@nwlehighsd.org)