



# 2014-15 Budget Discussion

Northwestern Lehigh School  
District

Finance Committee Meeting  
February 12, 2014

# [ Discussion Items ]

---

- 2014-15 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

**2014-2015**

# [ Budgeting Strategies ]

(Included in 2013-14 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, 2013)

- Committed Fund Balance \$3,230,619
- Annual obligation of \$354,216
  - Funding portion of annual obligation in 13-14 = \$154,356
- Also, funding actual costs for retiree benefits \$199,860 (13-14)
- Total amount allocated for OPEB in budget  $\$154,356 + \$199,860 = \$354,216$

# 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
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	\$ 3.28	\$ 3.3346	\$ 3.15
2013-14*	Fluctuating	CSIU16	\$ 3.0168	\$ 3.05	\$ 2.9296	\$ 3.12

\* Based on purchases through December 2013



Columns represents the firm price/gallon based on bid results

# Diesel/Heating Oil

	Avg Price Diesel	Total Gallons	Avg Price Heating Oil	Total Gallons
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*	\$ 3.28	72,378	\$ 3.15	103,108
<b>2013-14 Budget</b>	<b>\$ 3.75</b>	<b>82,500</b>	<b>\$ 3.75</b>	<b>140,000</b>

Funding Plan	Diesel		Heating Oil	
Millage	\$ 3.75	\$ 309,375	\$ 3.75	\$ 525,000
Use of Fund Balance	\$ 0.50	\$ 41,250	\$ 0.50	\$ 70,000
		<b>\$ 350,625</b>		<b>\$ 595,000</b>

\* 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, adjust gallons.

# Capital Reserve Transfer

	Balance
Capital Reserve- 12/31/13	1,084,053
Refi Savings -1314 Transfer	246,000
	<b>1,330,053</b>

GOB 2007A Refi	105,000
GOB 2008 Refi	122,000
GOB 2008A Refi (not settled)	100,000
Proposed 1415 Transfer	<b>327,000</b>

**Proposed  
Transfer  
for 2014-15**

**NOTE:** The 2013-14 budget includes a planned transfer into Capital Reserve using the refinance savings from the GOB 2007 A and GOB 2008. 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	21.40%	4.47%	18.50%	3.50%
15-16	25.84%	4.44%	22.00%	3.50%
16-17	29.27%	3.43%	25.75%	3.75%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation. (as of June 30, 2013)

# PSERS- Budget Strategy using 18.5%

## 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	-	2,135,343
12-13	16,737,537	2,068,760	1,924,817	-	2,170,343
13-14	17,077,162	2,876,739	2,561,574	(315,165)	1,855,178
14-15*	17,514,908	3,748,190	3,240,258	(507,932)	1,347,246
15-16*	18,040,355	4,661,628	3,968,878	(692,750)	654,496
16-17*	18,581,566	5,438,824	4,784,753	(654,071)	425

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

This funding strategy will allow the district to level increases as the ER Contribution rate spikes to 33.27% in 2034-35

# Emmaus Bond Pool (EBP) Rate Stabilization

- Variable Interest Rate Debt
- Historically budgeted 4% interest rate based on recommendations from PFM
- Reduce to 3% in 2013-14
- Average actual rates ranged 1.10%-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
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%	1.10%	4.00%	1.04%
2013-14*	3.00%	1.49%	3.00%	1.32%

\* Average interest rate to date through January 1, 2014

# 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

# [ Open Budget Items ]

---

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