




2016-17 BUDGET DISCUSSION

Northwestern Lehigh School District
Board Workshop
February 3, 2016

Discussion Items

- 2016-17 Budgeting Strategies

2016-17 Act 1 Budget Timeline

Date/Deadline	NWL Action Date	Description
December 31, 2015	Lehigh County sends letters on district's behalf	Homestead Notice sent to eligible property owners
January 12, 2016	December 7, 2015	Submit to PDE Opt-out Resolution
	 January-April Board Workshops	Budget discussions/presentations
	May Board Workshop May 4, 2016	Presentation of Proposed Final Budget
May 1, 2016		PDE notifies district of gaming revenue allocation
May 30, 2016	May 11, 2016 * (2 nd Wed)	Proposed Final Budget Adoption
May 31, 2016		Deadline to report tax rates to DCED
	June Board Workshop	Presentation of Final Budget
June 30, 2016	June 15, 2016	Final Budget Adoption
July 1, 2016	June 16, 2016	Tax bills are released to printer and mailed to taxpayers July 1st

2016-17 Budget Goals

- Implement strategic planning mission, vision & goals
- Provide instructional programs to meet Chapter 4 requirements in core content areas and in the related arts
- Provide staffing to meet instructional and operational needs
- Commit to long range technology planning to support ongoing technology initiatives
- Implement a Facilities Master Plan to address ongoing facility needs
- 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

Budgeting Strategies

- Other Post Employment Benefits (OPEB)
- Fleet Replacements
- Capital Reserve Transfer
- PSERS employer rate funding
- Emmaus Bond Pool (EBP) Rate Stabilization
- Technology Plan
- Curriculum Textbook/Materials
- Budgetary Reserve

Other Post Employment Benefits (OPEB)

- GASB 45 is the accounting pronouncement for accounting and reporting by employers for post employment benefits other than pensions
 - Includes post retirement healthcare benefits
 - Requires reporting in the financial statement
- Required bi-annual actuarial report
 - NWLSD valuations as of July 1, 2014
 - Actuarial Present Value of Total Projected Benefits \$5,431,532
 - Annual Required Contribution (ARC) \$357,997
- Funding Strategy- at inception of GASB 45, Board Committed the amount equivalent to the liability associated with the current retirees and funded the ARC through a budget line item which was transferred to fund balance at year end. The actual cost of retiree benefits was paid through budgeted dollars

Our Current OPEB Funding Structure

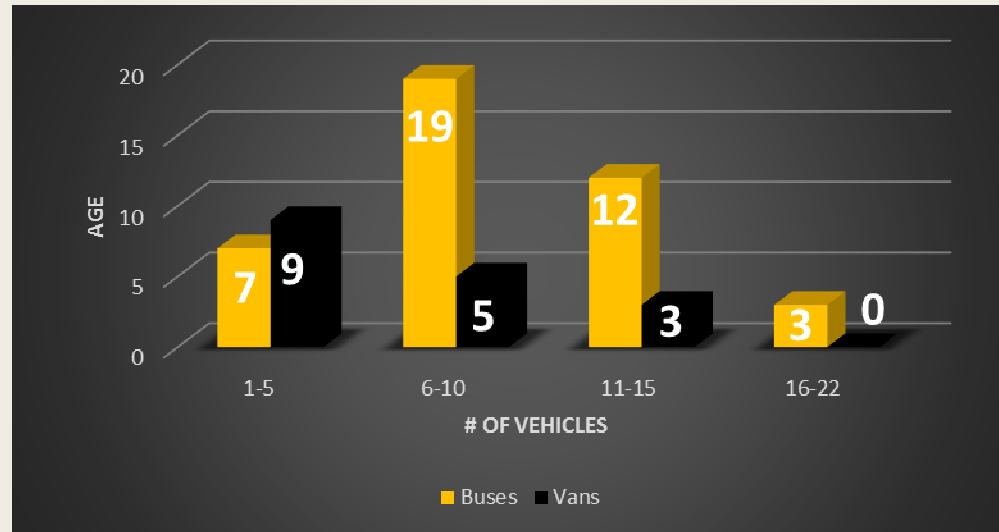
(As of June 30, 2015)

- Committed Fund Balance \$3,230,619
- Starting in 2015-16 \$0 funding in the budget.
- Prior funding level of \$154,000 (half the ARC) was reallocated to a Capital Reserve Transfer
- Current cost of retiree healthcare benefits budgeted with possible funding through fund balance estimated \$175,000-200,000

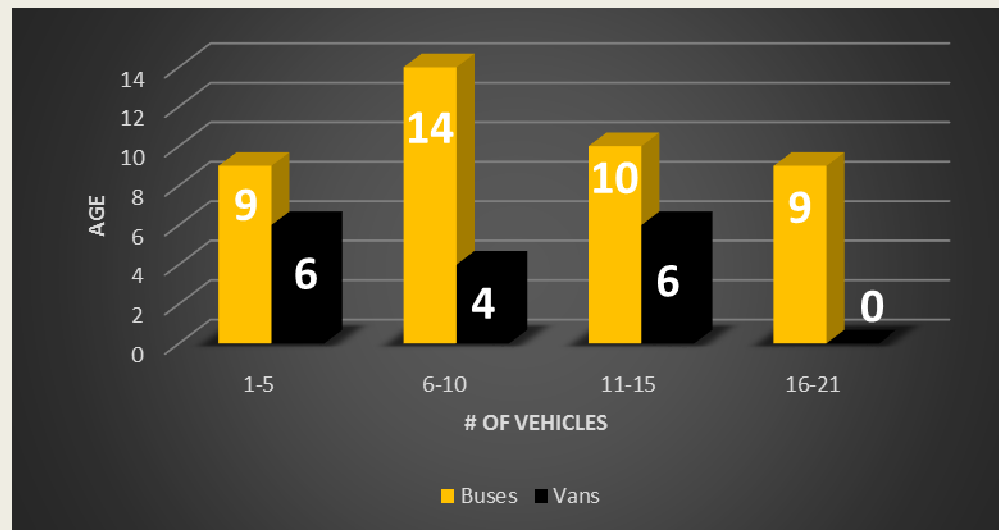
RECOMMENDATION: Continue to reallocate the \$154,000 to a Capital Reserve Transfer to be used for future capital improvements and budget the actual cost of the retiree healthcare benefits through a combination of millage and/or fund balance.

Fleet Age January 2015 & 2016

2015



2016



Note: Currently there are 9 spare buses and 2 spare vans. NWLSD replacement plan has been determined using a 15 year age for daily use vehicles in conjunction with mechanic analysis of fleet.

2016-17 Fleet Replacements

- Replacements have been budgeted at \$230,000 annually anticipating 2 buses and 2 vans
- Estimated need for 16-17:
 - *3 buses*
 - *2 vans*
- Estimated cost per bus \$90,000 & per van \$35,000 (total \$340,000)

RECOMMENDATION: Increase budget to cover additional costs for van replacements (\$20K) and utilize fund balance to budget the 3rd bus replacement (\$90K).

Capital Reserve Estimated Balance

	AMOUNT
Beginning Balance 6/1/15	\$ 409,818
1415 GF transfer	328,000
McClure ESCO Project	(2,740,497)
1516 GF transfer	2,850,000
Weisenberg Sewer Plant	(20,000)
Amount Earmarked for Buses*	<u>(327,567)</u>
Estimated Balance Available for use during 1516	499,754
1516 GF transfer (June 2016)	649,256
CD-comes due July 2016	1,000,000
Payable due to GF 10 for Houck Project (HS Roof)	<u>(598,276)</u>
Estimated Balance-July 2016	\$1,550,735

**Amount is currently earmarked for buses, but could be reallocated and used for capital projects. NO formal board action is required to reallocate.*

Capital Reserve Transfer

	AMOUNT
Estimated Available Balance-6/30/16	\$1,550,735
Proposed Transfer 1617 :	
Refi Savings	346,670
Addtl Budget Transfer	<u>304,356</u>
Total Proposed 1617 Transfer	651,026
ESTIMATED TOTAL BALANCE-6/30/17	\$2,201,761

RECOMMENDATION: Continue using refinancing savings to fund the capital reserve transfer in addition to \$304K for total transfer of \$651K.

Additional Capital Reserve Transfer

- Potential transfer of fund balance to Capital Reserve in anticipation of Capital Projects
- Potential transfers from the following fund balance categories

CATEGORY	AMOUNT
Unassigned	\$1,000,000
Energy Stabilization	575,000
Millage Rate Stabilization	2,013,000
Capital Projects	<u>820,517</u>
	\$4,408,517

RECOMMENDATION: Evaluate capital project options and based on funding needs assess amount needed from current fund balance. Further discussion needed.

PSERS Stabilization

- Fund Balance is utilized to minimize and smooth employer contribution rate increases year to year.
- When ER rate was low, district transferred planned budget funds to the reserve
- In recent history when ER rate has been high with larger year to year increase, district utilized fund balance as budgeting tool to help manage increases over a longer period of time

PSERS-Projected Rates

Estimated Rates				
	<i>ER Rate</i>	<i>Projected Increase</i>	<i>Rate in Budget</i>	<i>Budget Increase</i>
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%	25.42%	6.92%
16-17	30.03%	4.19%	26.50%	1.08%
17-18	30.62%	0.59%	27.50%	1.00%
18-19	31.56%	0.94%	29.00%	1.50%
19-20	32.23%	0.67%	30.50%	1.50%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation. (as of June 30, 2015)

PSERS- Budget Strategy using 26.50%

Estimated Total Costs					
		Actual ER		Planned Use	Remaining
	Payroll	Cost	Budget	of Fund Balance	Fund Balance
08-09	16,667,585	790,895	1,188,399		
09-10	16,631,746	813,618	1,185,843	-	1,330,000
10-11	16,154,164	910,243	1,327,872	-	1,830,000
11-12	16,207,232	1,416,217	1,539,687	-	2,135,343
12-13	16,737,537	2,043,690	1,924,817	-	1,969,835
13-14	16,445,726	2,803,900	2,466,859	-	1,982,000
14-15	16,726,593	3,552,342	3,094,420	-	2,533,626
15-16	17,158,645	4,433,794	4,361,728	(71,374)	2,461,560
16-17	17,742,039	5,327,934	4,701,640	(626,294)	1,835,266
17-18*	18,274,300	5,595,591	5,025,433	(570,158)	1,265,108
18-19*	18,822,529	5,940,390	5,458,533	(481,857)	783,251
19-20*	19,387,205	6,248,496	5,913,098	(335,399)	447,852

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

RECOMMENDATION: Continue current funding strategy and utilize fund balance to levelize PSERS employer rate increases.

Emmaus Bond Pool (EBP) Rate Stabilization

- 2 Variable Interest Rate Debt Issuances
- Historically budgeted 4% interest rate based on recommendations from PFM and transferred excess budget funds to fund balance
- Reduce to 3% in 2014-15
 - *Purpose of the 3% is to reserve for interest rate spikes during the year*
- Average actual rates 1.47% - 1.727%

RECOMMENDATION: Continue budgeting 3% funding 2% with millage, and 1% with fund balance.

Technology Plan

- Year 2 of Plan Implementation
- Estimated additional \$50,000 to be added through millage

RECOMMENDATION: Fund the Technology Plan as proposed through an increase in budget funds.

Curriculum Textbook/Materials

- Historically budget level amount of \$230,000 for textbook/material needs, and use fund balance if additional funds are needed
- 2016-17 Estimated funds needed for NEW curriculum textbook/materials \$52,500 based on curriculum cycles
- Excess budget funds would be transferred into Assigned Fund Balance for curriculum textbook/materials at June 30, 2016

RECOMMENDATION: Continue level funding in Curriculum budget and transfer excess budget funds to fund balance for future needs.

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

RECOMMENDATION: Fund full amount of budgetary reserve through use of fund balance.

Open Budget Items

- Retirements
- Staffing/Enrollment Estimates
- Salaries & Benefits
- State Revenues
- Capital Projects/Capital Reserve Funding