

A Guide to Understanding the Budget Process 2016-17

Superintendent's Message

Dear Employees, Parents, Community Members, and Students,

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Northwestern Lehigh School District is a great place to learn and work, and we are proud to continue to offer well-rounded academic and extra-curricular opportunities for the students of our District. The administration presented a Proposed Final budget to the Board of School Directors at the Workshop Meeting on May 4, 2016. As we finalize our budget for 2016-2017, it is important to note that all programs with strong enrollment, effective class sizes, and current offerings in extra-curricular and athletic activities will be maintained for the 2016-2017 school year. ***For the sixth consecutive year, the 2016-17 Proposed Final Budget was presented with no tax increase.*** I am proud that our Board and employees continue to work together to ... ***Educate, Challenge, and Inspire...Excellence through learning.***

The 2016-17 budget was developed as a collaborative effort of the Board, administration, and employees. Budget development began back in October of 2015. From November through April, budget meetings were held with administrators, teachers, and the Board to examine and refine the budget. Administrators met and determined appropriate staffing levels for classrooms and departments across all areas of instruction and operations.

Budget discussions were held in public meetings during Workshop and Regular Board Meetings in December, January, February, and April. The Proposed Final Budget is a result of months of planning and preparation. The Proposed Final Budget was presented in detail at the May 4th Workshop Meeting and was board approved at the May 11th Regular Board Meeting. Changes to the final budget were presented to the Board at the Workshop Meeting on June 1st in preparation for adopting a Final Budget at the June 15th regular Board Meeting at 7:00 pm. Please join us at any or all of the Board meetings to hear discussions or to provide comment. All budget documents can be found on our website <http://www.nwlehighsd.org/Departments.cfm?subpage=13416>. The budget years are listed along the left-side column.

You may remember that I sent an informational email about facilities projects that are scheduled over the next five years. We discussed a potential renovation to the high school. The board will take action on a potential project on June 15th at 7:00 pm. If you are not able to attend, you can find the videos on USTREAM, <http://www.ustream.tv/channel/nwlsd>. All of our meetings are archived there.

Our Board of School Directors work together with administration, employees, and the community to provide the best, affordable education possible. ***Northwestern remains financially and educationally sound.*** Our students demonstrate outstanding achievement as measured by PSSA and Keystone assessments, but they are much more than scores on state tests. Our high school ranked 55th out of more than 650 other high schools in the Commonwealth, according to *U. S. News & World Reports*. Our students, kindergarten through 12th grades, demonstrate significant growth and achievement in all aspects of our core curriculum; in performance based activities such as art, music, drama, health and wellness, business and technology education, family and consumer science and career and technical education; in athletic and scholastic competitions/events; and through community service. We are proud to deliver a budget that maintains excellent programs, experiences, and opportunities for our children without increasing property taxes for our residents.

We will continue to be conservative with our spending, and at the same time, the School Board and District employees remain committed to providing a rigorous education, healthy food choices, efficient facilities, and safe transportation for our children. We will continue to maximize our resources so we can provide a high quality, fiscally responsible education for our community that will ...***Educate, Challenge, and Inspire....*** our students! Thank you for your ongoing support of the Northwestern Lehigh School District and for helping Northwestern to demonstrate....***Excellence through learning!***

Sincerely,



Dr. Mary Anne Wright
Superintendent of Schools



2016-2017 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



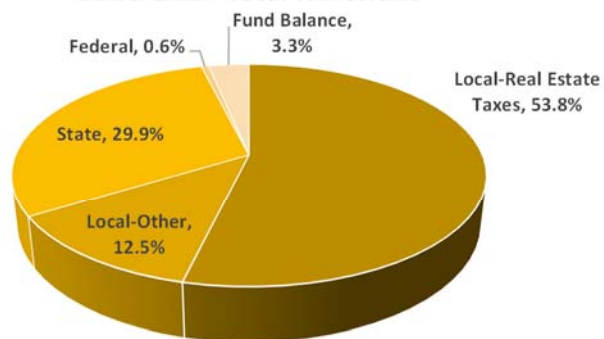
What are the challenges for 2016-2017?

- Increasing mandates on the educational and administrative processes
- Uncertainty of state revenues and potential delayed state budget approval
- Increasing costs for healthcare and retirement
- Facility planning specifically for the High School and other identified projects across the district

Budget At A Glance

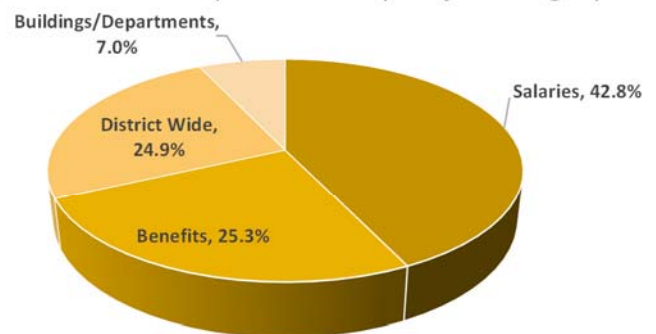
For 2016-17 Northwestern Lehigh's Proposed Final Budget is \$42 million dollars. The fund balance category in total revenues represents the use of fund balance including offsetting one time expenditures for, variable debt reserves, retirement stabilization reserves, Senior Citizen Tax Rebate Program, one time technology and curriculum purchases, purchase of a bus and budgetary reserve.

2016-2017 Total Revenues



Local-Real Estate Taxes Local-Other State Federal Fund Balance

2016-2017 Total Expenditures by Major Category



Salaries Benefits District Wide Buildings/Departments

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. In recent years, the district has seen increases in these two categories as a result of the West Hills Business Center TIF in Weisenberg Township.

Earned Income Taxes are affected by the personal income of the

residents living in the community.

Interest Income fluctuates with the market and economic conditions 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 \$150,000 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. In April 2016, the Board and Teachers Association settled the contract.

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
- 2016-17 allowable adjusted index is a 2.8% increase to the current millage rate, but the 2016-17 Proposed Final budget includes **no increase** to NWL taxes.

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. At this time, there is **NO TAX INCREASE** anticipated for 2016-17.

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 and Northwestern Elementary have saved the district an estimated \$365,000 since 2010-11.
- Three **bond refinancings** resulted in approximately \$2.7 million in savings
- **Consortium efforts to purchase electric** have saved \$246,000 since electric deregulation in 2010, and an expected \$50,000 in 2016-17 compared to the published electric rate to compare prices. Additionally, upon completion of an energy savings contract in the Summer of 2015, the district has saved approximately \$30,000 in current electric usage and is expected to save an additional \$50,000 during 2016-17.
- **Centralized purchasing** of large technology items and software licenses allowed the district 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 to discuss budget plans and funding.

January– April– Budget plans continue to be refined, and budget specific topics are dis-

cussed 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 2016-17



- All educational programs with strong enrollment will be preserved
- **All vacant positions** due to retirements and resignations will be filled.
- An estimated \$320,000 will be spent on new **textbooks/materials**.
- Most **educational subscriptions** are expected to be renewed.
- As part of the **strategic planning** process, \$158,000 has been budgeted for staff professional development, materials, and equipment to address specific goals outlined in the plan.
- Funding provided by the **Northwestern Lehigh Educational Foundation** is estimated to be in excess of \$150,000 to enhance educational programs
- Implementation of **Senior Citizen Tax Rebate Program**. More information about the program can be found on page 7.

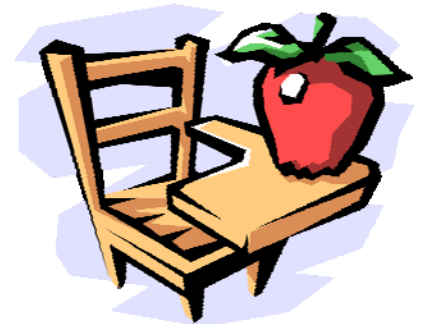
When will Staffing Plans be finalized?

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 increases to staff 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 2016-2017 indicate that almost all classes K-8 are within the policy guidelines for class size. High school classes will be determined throughout the summer months scheduling.

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.

Senior Citizen Tax Rebate Program

Starting in the 2016-17 school tax year, the district will offer a Senior Citizen Tax Rebate Program for district residents with limited incomes who own and reside in a primary residence in NWLSD. To be eligible for the program, residents must meet the income guidelines under the PA State Property Tax Program (PA-1000). Included in the 2016-17 budget is an estimated \$125,000 to fund the program.

West Hills Business Center TIF

Back in August 2011, the District approved a **Tax Incremental Financing (TIF)** to partner with Hillwood Investment Properties, Lehigh County, Weisenberg Township, and the Lehigh County Industrial Development Authority to form the West Hills Business Center TIF. As part of the TIF, the three taxing authorities pledged 50% of new tax revenues generated by the project to pay for debt service over a 20 year period associated with **infra-**

structure upgrades to the wastewater treatment plant and the bridge and ramps over I-78 Interchange at New Smithville. Without the TIF, the infrastructure upgrades would not have been completed and commercial development of the land would have been prohibited. The district will benefit from approximately **\$747,000 of tax revenues generated from the TIF to support the educational programs of the district.**

District Wide Technology Plan

During the 2016-2017 school year, the Northwestern Lehigh School District continues to budget for our **commitment to teaching and learning tools** including **educational technology** used by our students. During this school year, there will be a one time \$50,000 addition to the budget to continue year two implementation of our **one-to-one laptop initiative at the high school** for all students in grades 9-12 and our **one-to-one**

chromebook initiative at the upper elementary and middle school for all students in grades 3-8.

Access to technology in school gives students greater opportunities to learn, engage, communicate, and develop skills that will **prepare them for work, life, and citizenship.** We are committed to helping students develop **21st-century technology and communication skills.** The goals of this initiative are to improve

student achievement and provide students with the knowledge and skills necessary for post secondary success in the 21st century. This is the next step in increasing student access to technology, with the above goal in mind, to create an **efficient, financially responsible, and sustainable** plan moving forward.



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. 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