




# 2018-2019 BUDGET DISCUSSION

Northwestern Lehigh School District  
Board Workshop  
February 7, 2018  
Presented Board Meeting March 21,  
2018

# 2018-19 Act 1 Budget Timeline

Date/Deadline	NWL Action Date	Description
December 31, 2017	Lehigh County sends letters on district's behalf	Homestead Notice sent to eligible property owners
January 26, 2018	January 17, 2018	Submit to PDE Opt-out Resolution
	 February-April Board Workshops	Budget discussions/presentations
May 1, 2018		PDE notifies district of gaming revenue allocation
	May 2, 2018	Presentation of Proposed Final Budget
May 31, 2018	May 16, 2018	Proposed Final Budget Adoption & public display prior to Final Budget Adoption
May 31, 2018		Deadline to report tax rates to DCED
	June 6, 2018	Presentation of Final Budget
June 30, 2018	June 20, 2018	Final Budget Adoption
July 1, 2018	June 21, 2018	Tax bills are released to printer and mailed to taxpayers July 1st

# 2018-19 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
- Continue to commit to long range technology planning
- Continue to support the 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

# Fund Balance-June 30, 2017

Composition of Fund Balance	Balance June 30, 2017
Non-spendable	\$229,889
Restricted	73,484
Committed	9,818,142
Assigned	6,756,915
<u>Unassigned</u>	<u>1,769,748</u>
Total	\$18,648,748

- **Non-spendable**-amounts that cannot be spent bc they are in a non-spendable form or legally required to be maintained in tact (inventory/prepays)
- **Restricted**-amounts constrained to be used for a specific purpose as per external parties/law (Foundation)
- **Committed**- amounts constrained to be used for a specific purpose as per the Board
- **Assigned**- amounts constrained to be used for a specific purpose as per the Superintendent and Business Administrator
- **Unassigned**-amounts available for any use

# Breakdown of Committed & Assigned Fund Balance

COMMITTED	BALANCE 6/30/17
Other Post Employment Benefits (OPEB)	\$3,038,082
Healthcare Stabilization	1,420,000
Retirement Stabilization (PSERS)	2,349,626
Emmaus Bond Pool Rate Stabilization	457,434
Millage Rate Stabilization *	1,953,000
Energy Stabilization *	<u>600,000</u>
<b>Total</b>	<b>\$9,818,142</b>


ASSIGNED	BALANCE 6/30/17
Technology	\$720,000
Curriculum Textbooks/Materials	1,543,000
Capital Projects *	2,284,517
Bus Replacements	433,000
Budget Appropriations	<u>1,776,398</u>
<b>Total</b>	<b>\$6,756,915</b>

\*Amount partially or fully earmarked for HS Modernization/Stadium project.



# BUDGETING STRATEGIES

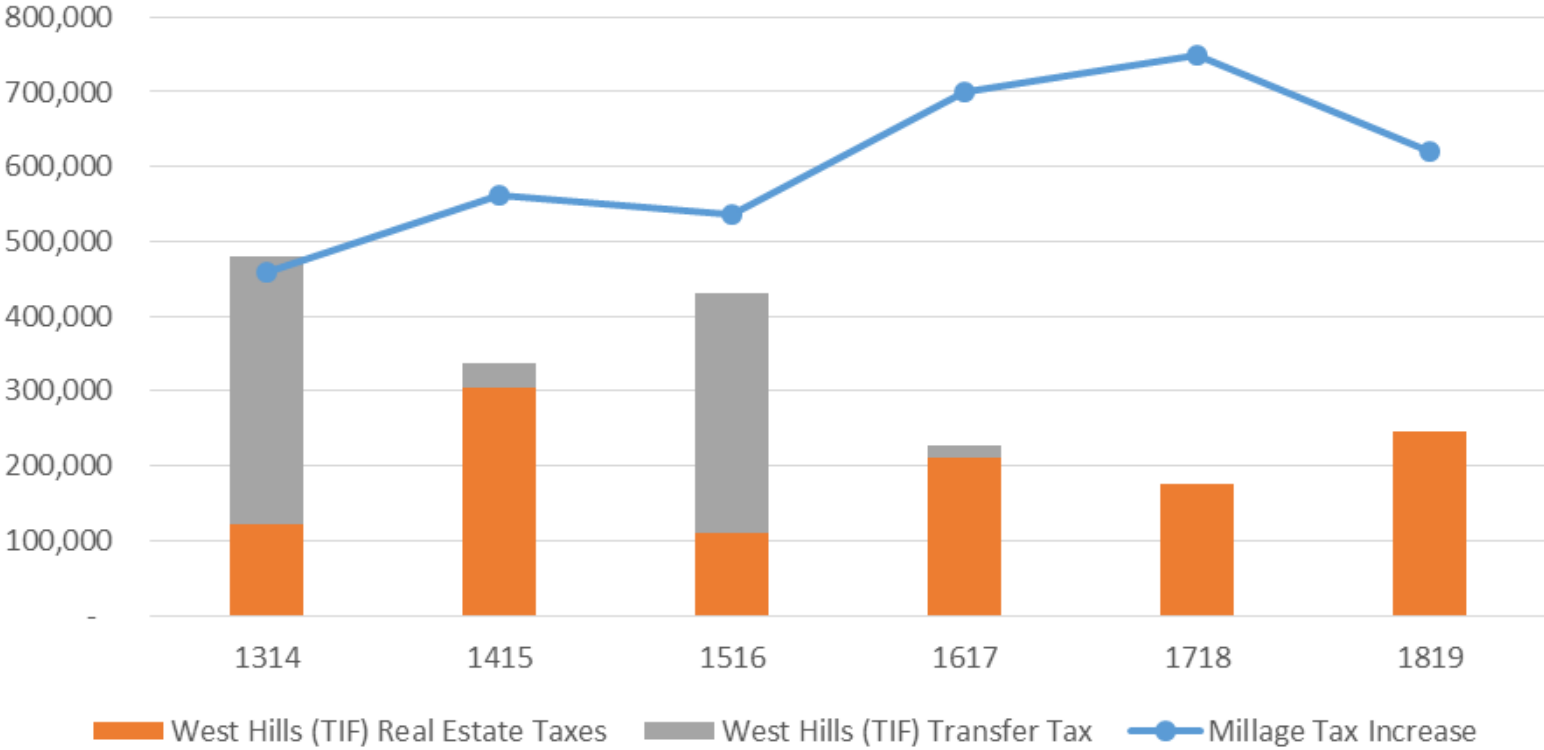
2018-2019



# Millage History & West Hills (TIF) Revenues

	1314	1415	1516	1617	1718	1819
Potential Millage Increase (mills)	0.3193	0.3831	0.3512	0.4470	0.4629	0.3831
Potential Millage Increase (\$)	\$458,401	\$561,494	\$535,694	\$699,930	\$749,084	\$620,990
Actual Tax Increase	\$0	\$0	\$0	\$0	\$0	TBD
New Tax Revenue Generated from West Hills (TIF)	\$120,986	\$304,104	\$111,413	\$210,249	\$175,086	\$246,534
Addtl West Hills (TIF) Revenues (transfer Tax)	<u>\$359,487</u>	<u>\$34,194</u>	<u>\$318,915</u>	<u>\$15,969</u>	<u>\$0</u>	<u>\$0</u>
Total New Taxes from West Hills (TIF)	\$480,473	\$338,298	\$430,328	\$226,218	\$175,086	\$246,534

### Comparison of West Hills Revenue & Potential Tax Increase 2013-14 through 2018-19

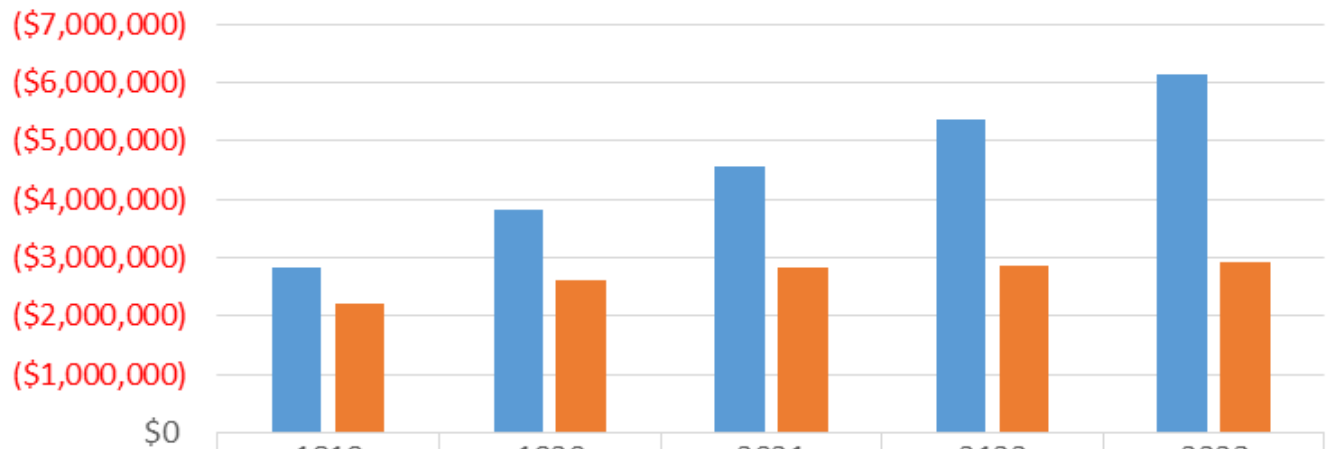




# 5 Year Budget Projections

	1819	1920	2021	2122	2223
Shortfall with 0 millage increase	(\$2,818,926)	(\$3,822,039)	(\$4,577,935)	(\$5,370,422)	(\$6,147,065)
Shortfall with max millage increase	(\$2,197,936)	(\$2,612,761)	(\$2,815,310)	(\$2,873,902)	(\$2,932,312)
Estimated Tax Increase	\$620,990	\$650,149	\$673,067	\$696,793	\$721,355
Difference (Compounded tax increase effect)	\$620,990	\$1,209,278	\$1,762,625	\$2,496,520	\$3,214,753

### Five Year Projections-Budget Shortfall



	1819	1920	2021	2122	2223
■ Shortfall with 0 millage increase	(\$2,818,926)	(\$3,822,039)	(\$4,577,935)	(\$5,370,422)	(\$6,147,065)
■ Shortfall with max millage increase	(\$2,197,936)	(\$2,612,761)	(\$2,815,310)	(\$2,873,902)	(\$2,932,312)

■ Shortfall with 0 millage increase      ■ Shortfall with max millage increase

# 2018-19 Millage Options



	.3831 mills (2.4%)	.0191 mills (1.2%)	.095 mills (.60%)
Total Tax Revenue Generated	\$620,990	<b>\$310,495</b>	\$155,248
Average Assessed Value (Residential)	\$216,000	<b>\$216,000</b>	\$216,000
Dollar (\$) Increase to Avg Taxpayer	\$82.75	<b>\$41.26</b>	\$20.52
Assessed Value	\$100,000	<b>\$100,000</b>	\$100,000
Dollar (\$) Increase to Taxpayer	\$38.31	<b>\$19.16</b>	\$9.58
Assessed Value	\$400,000	<b>\$400,000</b>	\$400,000
Dollar (\$) Increase to Taxpayer	\$153.24	<b>\$76.62</b>	\$38.31

# 2018-19 REVISED Millage Options



	.3831 mills (2.4%)	.0191 mills (1.2%)	.095 mills (.60%)
Total Tax Revenue Generated	\$620,990	\$310,495	\$155,248
Average Assessed Value (Residential)	\$216,000	\$216,000	\$216,000
Dollar (\$) Increase to Avg Taxpayer	\$82.75	\$41.26	\$20.52
Assessed Value	\$100,000	\$100,000	\$100,000
Dollar (\$) Increase to Taxpayer	\$38.31	\$19.16	\$9.58
Assessed Value	\$400,000	\$400,000	\$400,000
Dollar (\$) Increase to Taxpayer	\$153.24	\$76.62	\$38.31

**REVISED RECOMMENDATION: Based on increasing security district wide, recommendation would be to levy the additional funds need to expand security services**



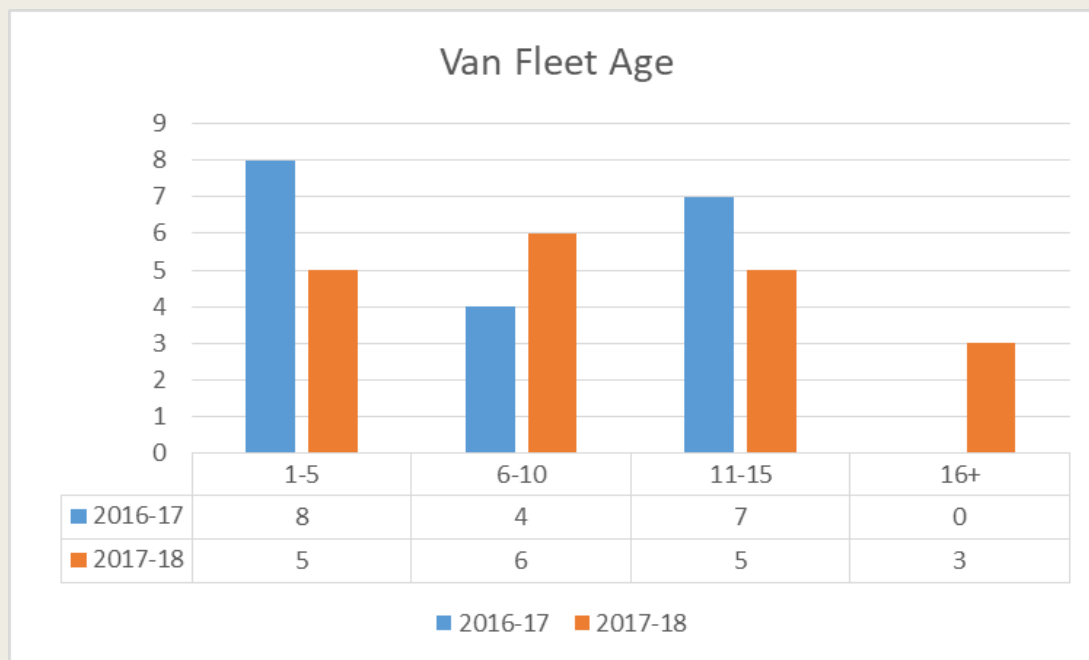
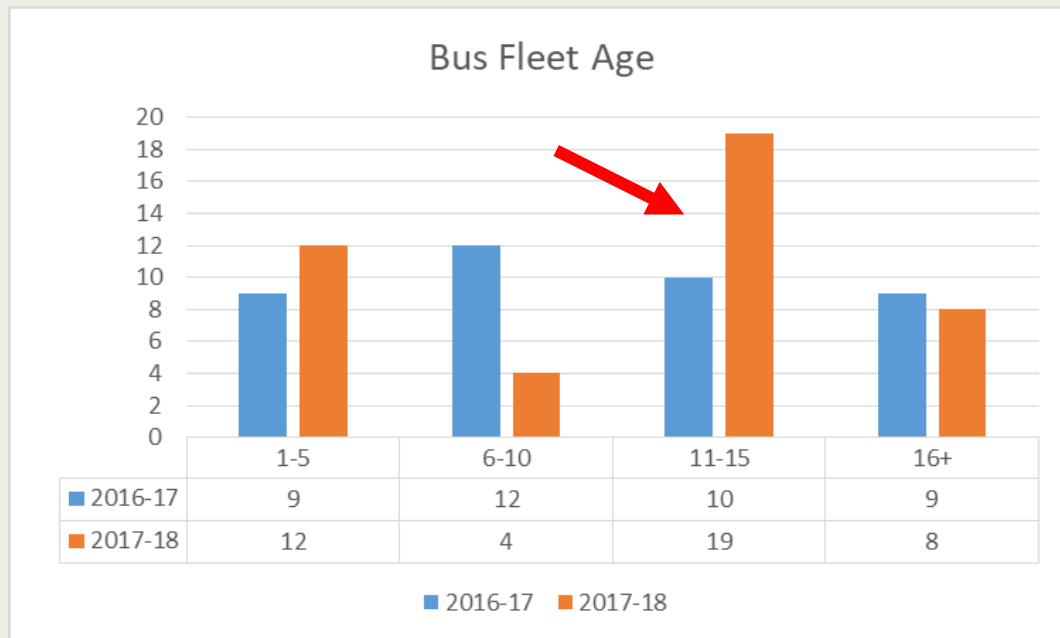
# Other Post Employment Benefits (OPEB)

- 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
  - Valuation as of July 1, 2016
- Funding Strategy- Utilize use of fund balance to fund current year (1819) costs for retiree healthcare coverage estimated to be approximately \$50,000-75,000

**RECOMMENDATION:** Continue to budget the actual cost of the retiree healthcare benefits through a combination of millage and/or fund balance.

# Transportation Fleet Age

Note: Currently there are 8 spare buses and 1 spare van. NWLSD replacement plan has been determined using a 15 year age for daily use vehicles in conjunction with mechanic analysis of fleet.





# 2018-19 Fleet Replacements

- Transportation:
  - *Replacements have historically been budgeted at \$230,000 annually anticipating 2 buses and 2 vans*
  - *Estimated need for 1819:*
    - 3 buses
    - 0 vans
  - *Estimated cost per bus \$93,000 (total \$280,000)*
- Buildings & Grounds:
  - *Purchase of Utility Vehicle for Grounds with a plow*
  - *Estimated cost \$20,000-\$25,000*
  - *Reallocate current budget funds within Operations*

**RECOMMENDATION:** Utilize current budget funds and increase the budget through use of fund balance to cover the third bus replacement.

# Capital Reserve Transfer-1819

	AMOUNT
Estimated Available Balance-6/30/18	\$1,647,698
Proposed Transfer 1819:	
Refi Savings	147,000
Roof Replacements	100,000
Addtl Budget Transfer	<u>154,000</u>
Total Proposed 1819 Transfer	\$401,000

**RECOMMENDATION:** Continue using refinancing savings to fund the capital reserve transfer in addition to \$254,000 for total transfer of \$401,000. This does not include a potential additional transfer for capital projects (HS/stadium)



# Transfer for Turf Field and Track Stadium Project

- Potential transfer of fund balance to Capital Reserve in anticipation of Field/Track Stadium, as discussed as the cash contribution
- This transfer is currently included in the preliminary budget presented on January 3, 2018 for \$4,000,000
- Potential transfers from the following fund balance categories:

CATEGORY	AMOUNT
Unassigned	\$1,362,483
Energy Stabilization	400,000
Millage Rate Stabilization	1,953,000
Capital Projects	<u>2,284,517</u>
	\$6,000,000

- Actual amount of cash needed will vary based on Board's decision on Stadium Project

**RECOMMENDATION:** Evaluate financing needs and include estimated use of fund balance in May Proposed Final Budget based on project financing plan. Further discussion needed to finalize.

# Fund Balance Stabilization Funds

- Committed/Assigned fund balance categories used to minimize impact of increases in one year as a mechanism to provide the necessary funding
  - *Healthcare*
  - *Retirement (PSERS)*
  - *Emmaus Bond Pool Rate*
  - *Millage Rate*
  - *Energy*
  - *Technology*
  - *Curriculum*
- Allows flexibility to increase a budget line item by an amount greater than the available revenues in a single year
- Allows contingency funding for fluctuating costs
- Stabilization is NOT used to replace recurring funding needs

# Heating Oil/Diesel Fuel

- In years where the district selects fluctuating pricing on heating oil and diesel fuel bids, an additional amount per gallon has been budgeted with the energy stabilization fund balance to mitigate the risk of price spikes during the year.
- Example: Budgeted rate per gallon \$2.50 with \$2.00 per gallon funded through millage and \$0.50 per gallon funded through fund balance with the projection that the actual rate per gallon will be around \$2.00

Funding Plan	Price per Gallon	Diesel 82,000 gallons	Heating Oil 100,000 gallons
Millage	\$2.00/gallon	\$164,000	\$200,000
Use of Fund Balance	\$0.50/gallon	<u>\$41,000</u>	<u>\$50,000</u>
Total Budget Amount	\$2.50/gallon	\$205,000	\$250,000

**RECOMMENDATION:** If the district selects fluctuating pricing on the heating oil and/or diesel bids, budget an additional \$0.50 per gallon above the current fluctuating price to mitigate risk of price spikes during the year.



# PSERS Stabilization

- Current balance June 30, 2017 \$2,349,626
- Fund Balance is utilized to minimize and smooth employer contribution rate increases year to year.
- When employer contribution rate (ER) 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



	ER Rate	Projected Rate Increase	% Increase	Rate in Budget	Budget Rate Increase	% Increase
11-12	8.65%	3.01%	53.37%	9.50%	1.28%	15.57%
12-13	12.36%	3.71%	42.89%	11.50%	2.00%	21.05%
13-14	16.93%	4.57%	36.97%	15.00%	3.50%	30.43%
14-15	21.40%	4.47%	26.40%	18.50%	3.50%	23.33%
15-16	25.84%	4.44%	20.75%	25.42%	6.92%	37.41%
16-17	30.03%	4.19%	16.22%	28.00%	2.58%	10.15%
17-18	32.57%	2.54%	8.46%	30.50%	2.50%	8.93%
<b>18-19</b>	<b>33.43%</b>	<b>0.86%</b>	<b>2.64%</b>	<b>31.00%</b>	<b>0.50%</b>	<b>1.64%</b>
19-20	34.79%	1.36%	4.07%	32.00%	1.00%	3.23%
20-21	35.26%	0.47%	1.35%	33.00%	1.00%	3.13%
21-22	35.68%	0.42%	1.19%	34.25%	1.25%	3.79%
22-23	36.32%	0.64%	1.79%	35.50%	1.25%	3.65%
23-24	33.84%	-2.48%	-6.83%	33.84%	-1.66%	-4.68%
24-25	33.94%	0.10%	0.30%	33.94%	0.10%	0.30%
25-26	34.18%	0.24%	0.71%	34.18%	0.24%	0.71%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation. (as of December 2017)

# PSERS- Budget Strategy using 31%

	Payroll	Actual ER Cost	Budget	Planned Use of Fund Balance	Remaining Fund Balance
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	17,304,726	4,429,100	4,423,905	-	2,591,626
16-17	18,062,222	5,308,757	5,416,717	-	2,349,626
17-18	18,573,329	6,056,917	5,664,865	(376,000)	1,973,626
18-19	19,242,353	6,432,719	5,965,129	(467,589)	1,506,037
19-20*	19,819,624	6,895,247	6,342,280	(552,967)	953,069
20-21*	20,414,212	7,198,051	6,736,690	(461,361)	491,708
21-22*	21,026,639	7,502,305	7,201,624	(300,681)	191,027
22-23*	21,657,438	7,865,981	7,688,390	(177,591)	13,436
23-24*	22,307,161	7,548,743	7,548,743	-	13,436
24-25*	22,976,376	7,798,182	7,798,182	-	13,436
25-26*	23,665,667	8,088,925	8,088,925	-	13,436

\* 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 3-4% interest rate based on recommendations from PFM and transferred excess budget funds to fund balance
- 3% in 2018-19
  - *Purpose of the 3% is to reserve for interest rate spikes during the year*
- Average actual rates 1.10% - 2.84%
- Current rates (January 2018) 1.01% and 1.20%

**RECOMMENDATION:** Continue budgeting 3% funding 1.5% with millage, and 1.5% with fund balance.



# Curriculum Textbook/Materials

- Historically budget level amount of \$230,000 for textbook/material needs, and use fund balance if additional funds are needed
- 2018-19 Estimated funds needed for NEW curriculum textbook/materials \$380,000, which also includes some full day Kdg implementation costs
- Estimates may be revised based on recommendations from the Curriculum Task Force

**RECOMMENDATION: Continue level funding in Curriculum budget and budget additional \$150,000 through Fund Balance.**





# 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.

# Next Steps...

- April Workshop- Update budget assumptions and present changes to the budget since January 2018
- April-May-Finalize staffing plans and make necessary adjustments to the budget
- May Workshop- Present the Proposed Final Budget
- May Board- Adopt Proposed Final Budget
- June Workshop- Minimal changes to budget
- June Board- Adopt Final Budget