



# 2019-2020 BUDGET DISCUSSION

Northwestern Lehigh School  
District  
Board Workshop  
February 6, 2019

# 2019-20 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, 2018

Composition of Fund Balance	Balance June 30, 2018
Non-spendable	\$311,272
Restricted	69,027
Committed	8,342,659
Assigned	8,613,999
<u>Unassigned</u>	<u>1,841,412</u>
Total	\$19,178,412

- **Non-spendable**-amounts that cannot be spent because they are in a non-spendable form or legally required to be maintained in tact (inventory/prepaid)
- **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 6/30/18
Other Post Employment Benefits (OPEB)	\$2,963,082
Healthcare Stabilization	1,420,000
Retirement Stabilization (PSERS)	2,553,626
Emmaus Bond Pool Rate Stabilization	412,434
Millage Rate Stabilization	343,517
Energy Stabilization	<u>650,000</u>
<b>Total</b>	<b>\$8,342,659</b>

ASSIGNED	BALANCE 6/30/18
Technology	\$720,000
Curriculum Textbooks/Materials	2,136,036
Capital Projects	1,464,000
Bus Replacements	460,000
Budget Appropriations	<u>3,833,963</u>
<b>Total</b>	<b>\$8,613,999</b>



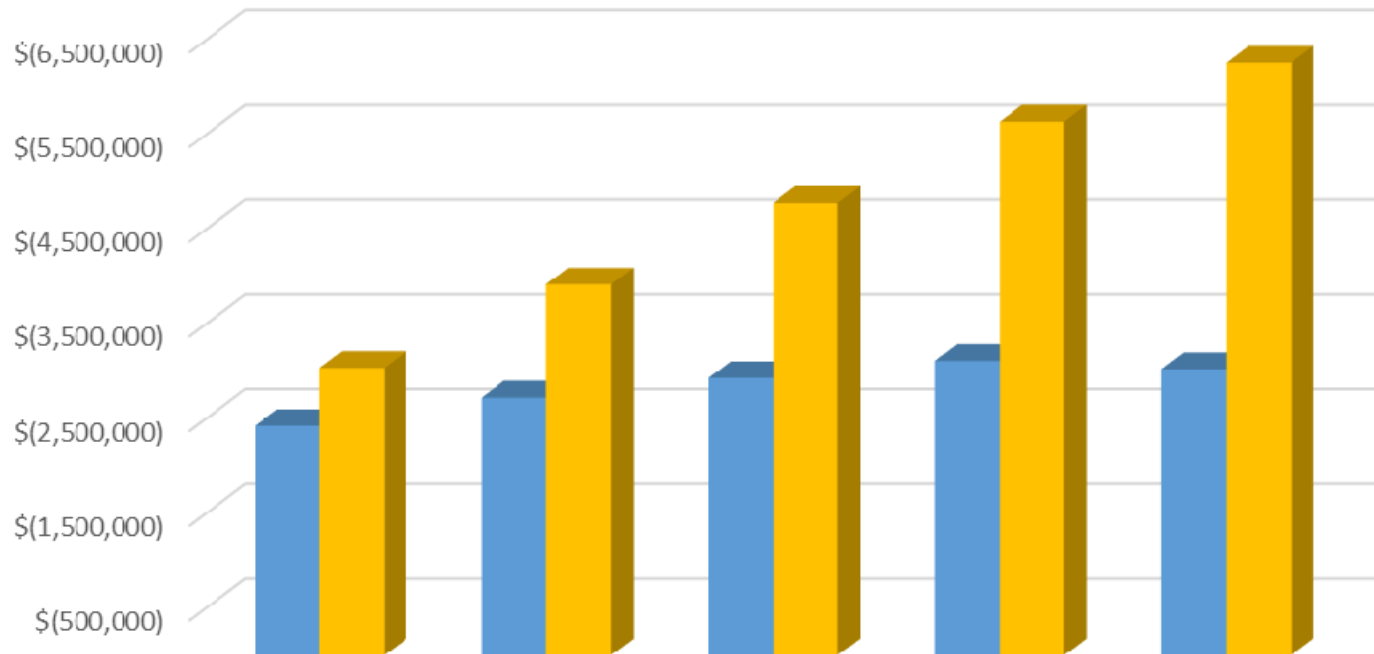
# BUDGETING STRATEGIES

2019-2020

# 5 Year Budget Projections

	19-20	20-21	21-22	22-23	23-24
Shortfall with 0 millage increase	(\$3,035,306)	(\$3,915,365)	(\$4,772,843)	(5,634,296)	(\$6,254,463)
Shortfall with max millage increase	(\$2,420,306)	(\$2,719,826)	(\$2,926,962)	(\$3,109,651)	(\$3,021,689)
Estimated Max Tax Increase	\$615,000	\$643,000	\$665,016	\$687,786	\$711,336
Difference (Compounded tax increase effect)	\$615,000	\$1,258,000	\$1,923,016	\$2,610,802	\$3,322,138

### Five Year Projections-Millage Increase VS. No Millage Increase



	19-20	20-21	21-22	22-23	23-24
■ Shortfall- Millage Increase	\$ (2,420,305)	\$ (2,719,826)	\$ (2,926,962)	\$ (3,109,651)	\$ (3,021,689)
■ Shortfall-NO Millage Increase	\$ (3,035,306)	\$ (3,915,365)	\$ (4,772,873)	\$ (5,634,296)	\$ (6,254,463)

# 2019-20 Millage Options



	<b>.3735 mills (2.3%)</b>	<b>.1868 mills (1.15%)</b>	<b>.093 mills (.575 %)</b>
Total Tax Revenue Generated	\$615,000	\$307,500	\$153,750
Average Assessed Value (Residential)	\$220,000	\$220,000	\$220,000
Dollar (\$) Increase to Avg Taxpayer	\$82.17	\$41.09	\$20.55
Assessed Value	\$100,000	\$100,000	\$100,000
Dollar (\$) Increase to Taxpayer	\$37.35	\$18.68	\$9.30
Assessed Value	\$400,000	\$400,000	\$400,000
Dollar (\$) Increase to Taxpayer	\$149.40	\$74.70	\$37.35



# Summary of 2019-20 Budget

Total Estimated Revenues	\$44,000,678
Total Estimated Expenditure	47,035,984
Estimated Operating Shortfall (before millage increase)	<u>(3,035,306)</u>
Millage increase to Index (2.3%, 0.3735 mills)	615,000
Revised Operating Shortfall	(\$2,420,306)

# Other Post Employment Benefits (OPEB)

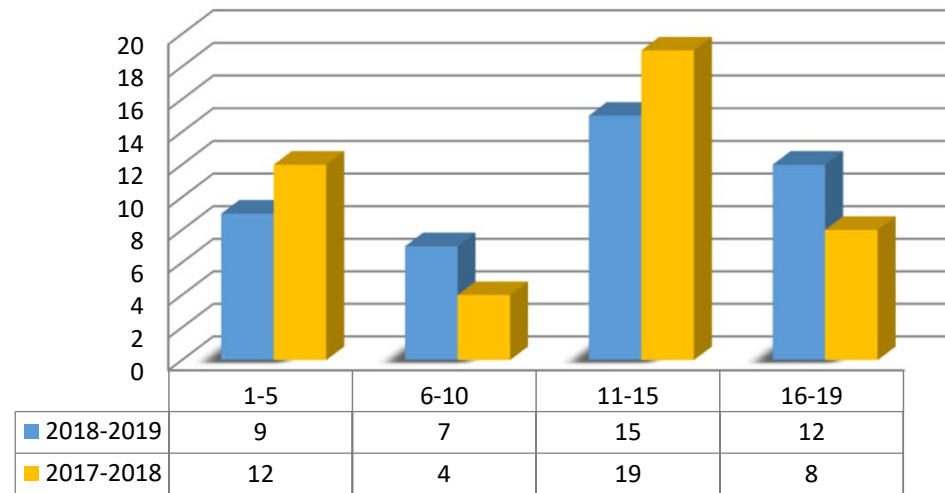
- GASB 45 is the accounting pronouncement for accounting and reporting by employers for post employment benefits other than pensions
  - Includes post retirement healthcare benefits
  - Requires reporting in the financial statement
- Required bi-annual actuarial report
  - Valuation as of July 1, 2018
- Funding Strategy- Utilize use of fund balance to fund current year (1920) costs for retiree healthcare coverage estimated to be approximately \$50,000

**RECOMMENDATION:** Continue to budget the actual cost of the retiree healthcare benefits through use of Fund Balance.

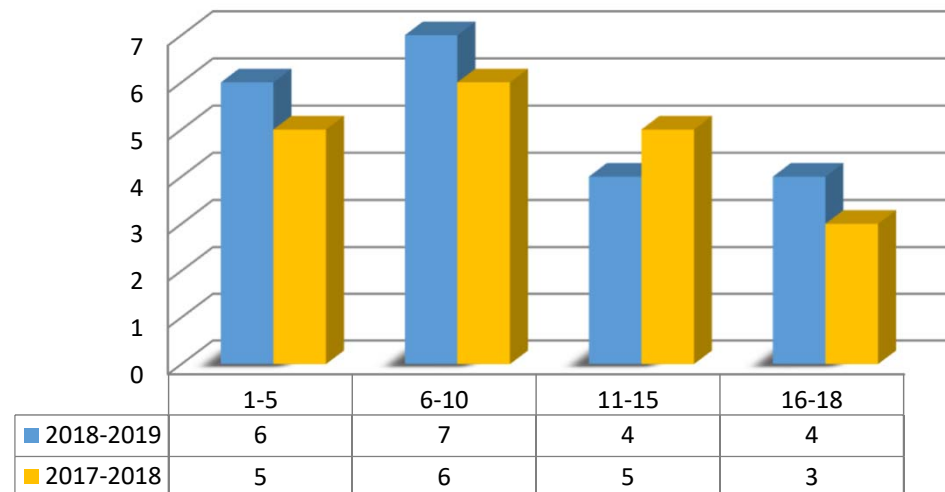
# Transportation Fleet Age January 2019

Note: Currently there are 10 spare buses and 0 spare vans. NWLSD replacement plan has been determined using a 15 year age for daily use vehicles in conjunction with mechanic analysis of fleet.

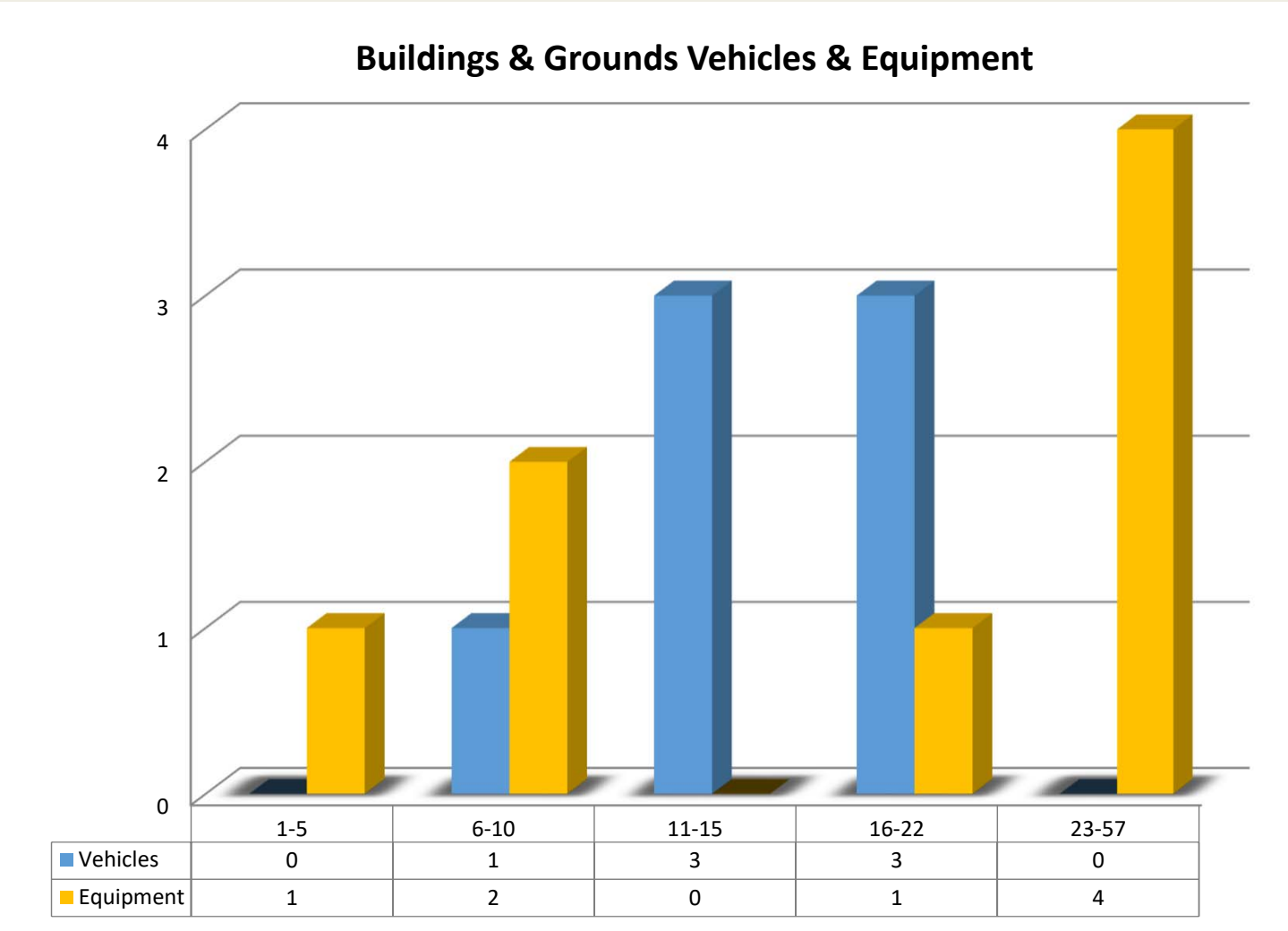
### Bus Fleet Age



### Van Fleet Age



# Buildings & Grounds Fleet Age January 2019



# 2019-20 Fleet Replacements

- Transportation:
  - *Replacements have historically been budgeted at \$230,000 annually anticipating 2 buses and 2 vans*
  - *Estimated need for 1920:*
    - 3 buses
    - 1 vans
  - *Estimated cost per bus \$95,000 (total \$285,000)*
  - *Estimated cost per van \$45,000*
- Buildings & Grounds:
  - *Auto-scrubber replacements*
  - *Mower replacement*

**RECOMMENDATION:** Utilize current budget funds and increase the budget through use of fund balance to cover the additional funding needed for the replacements

# Capital Reserve Transfer-1920

	AMOUNT
Estimated Available Balance-6/30/19	\$1,776,374
Proposed Transfer 1920:	
Refi Savings/Planned Transfer	313,000
Roof Replacements	<u>300,000</u>
Total Proposed 1920 Transfer	\$613,000

**RECOMMENDATION: Continue using refinancing savings & budgeted transfer to fund the capital reserve. The goal is to fund roof replacements at \$300,000, however this may be an area that is reduced back to \$100,000 (1819 amount) depending on necessary reductions. Total proposed transfer \$613,000.**

# 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.
- Budgeted rate per gallon \$2.75 with \$2.25 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 \$2.25

Funding Plan	Price per Gallon	Diesel 75,000 gallons	Heating Oil 100,000 gallons
Millage	\$2.25/gallon	\$168,750	\$225,000
Use of Fund Balance	\$0.50/gallon	<u>\$37,500</u>	<u>\$50,000</u>
Total Budget Amount	\$2.75/gallon	\$206,250	\$275,000

**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, 2018 \$2,553,626
- 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%
18-19	33.43%	0.86%	2.64%	31.00%	0.50%	1.64%
19-20	34.29%	0.86%	2.57%	31.50%	0.50%	1.61%
20-21	34.77%	0.48%	1.40%	32.50%	1.00%	3.17%
21-22	35.19%	0.42%	1.21%	33.00%	0.50%	1.54%
22-23	35.82%	0.63%	1.79%	33.50%	0.50%	1.52%
23-24	33.84%	-1.98%	-5.53%	33.84%	0.34%	1.01%
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 2018)

# PSERS- Budget Strategy using 31.50%

	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	18,392,139	5,916,643	5,609,602	-	2,553,626
18-19	19,430,535	6,495,628	6,023,466	(472,162)	2,081,464
19-20*	20,123,262	6,900,267	6,338,828	(561,439)	1,520,025
20-21*	20,726,960	7,206,764	6,736,262	(470,502)	1,049,523
21-22*	21,348,769	7,512,632	7,045,094	(467,538)	581,985
22-23*	21,989,232	7,876,543	7,366,393	(510,150)	71,835
23-24*	22,648,909	7,664,391	7,664,391	-	71,835
24-25*	23,328,376	7,917,651	7,917,651	-	71,835
25-26*	24,028,227	8,212,848	8,212,848	-	71,835

\* 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 2019-20
  - *Purpose of the 3% is to reserve for interest rate spikes during the year*
- Average actual rates 1.10% - 2.84%
- Current rates (December 2018) 1.66% and 1.67%

**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
- 2019-20 Estimated funds needed for NEW curriculum textbook/materials \$290,000
- Estimates may be revised based on recommendations from the Curriculum Task Force

**RECOMMENDATION:** Continue level funding in Curriculum budget and budget additional \$60,000 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.

# Funding the Shortfall

<b>PRELIMINARY SHORTFALL</b>	<b>(\$3,035,306)</b>
PSERS Stabilization	561,000
Budgetary Reserve	400,000
Emmaus Bond Pool Stabilization	220,000
Additional Fleet Replacements	145,000
Fuel Stabilization	95,000
Curriculum	60,000
Strategic Plan	50,000
Other Post Employment Benefits (OPEB)	<u>50,000</u>
Total	<u>(\$1,454,306)</u>
Millage Increase	<u>615,000</u>
Revised Shortfall	<u>(\$839,306)</u>

NOTE: Additional reductions or appropriate use of fund balance to be allocated to the \$839,306 remaining shortfall which is currently unfunded.

# Next Steps...

- April Workshop- Update budget assumptions and present changes to the budget since January 2019
- 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