



2020-2021 Budget Discussion & Budget Strategies

NORTHWESTERN LEHIGH SCHOOL DISTRICT
BOARD WORKSHOP
FEBRUARY 5, 2020

2020-2021 BUDGET GOALS

1. Implement strategic planning mission, vision & goals
2. Provide instructional programs to meet Chapter 4 requirements in core content areas and in the related arts
3. Provide staffing to meet instructional & operational needs
4. Continue to commit to long range technology planning
5. Continue to support the Facilities Master Plan to address ongoing facility needs
6. Develop a budget with a long- term and short-term focus
7. Continue to identify areas to maximize efficiencies and reduce costs without negatively impacting programs
8. Provide a fund plan to meet the district's needs while minimizing any potential tax increase to taxpayers

Fund Balance-June 30, 2019

Composition of Fund Balance	Balance June 30, 2019
Non-spendable	\$623,664
Restricted	35,513
Committed	7,436,178
Assigned	6,223,980
<u>Unassigned</u>	<u>1,372,942</u>
Total	\$15,693,277

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

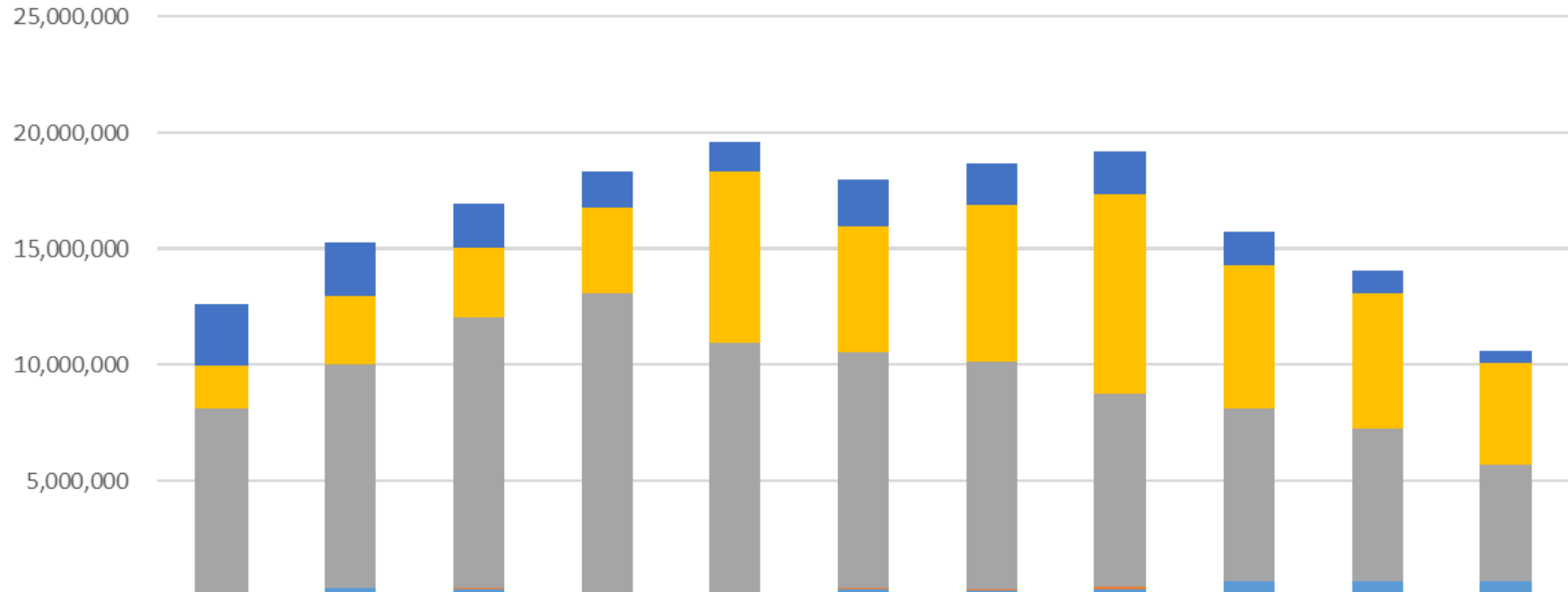
Unassigned-amounts available for any use

Breakdown of Committed & Assigned Fund Balance

COMMITTED	BALANCE 6/30/19
Other Post Employment Benefits (OPEB)	\$2,898,082
Healthcare Stabilization	1,420,000
Retirement Stabilization (PSERS)	1,999,626
Emmaus Bond Pool Rate Stabilization	184,934
Millage Rate Stabilization	333,536
Energy Stabilization	<u>600,000</u>
Total	\$7,436,178

ASSIGNED	BALANCE 6/30/19
Technology	\$753,000
Curriculum Textbooks/Materials	2,027,999
Capital Projects	1,464,000
Bus Replacements	315,000
Budget Appropriations	<u>1,663,981</u>
Total	\$6,223,980

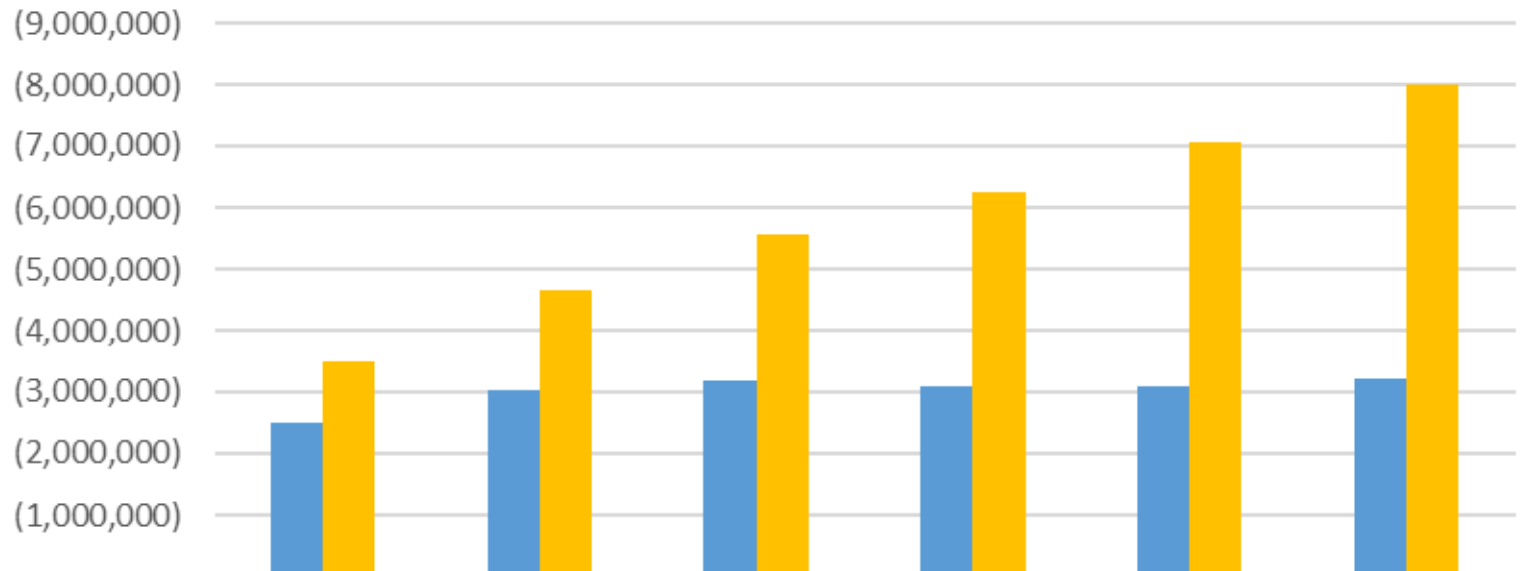
Fund Balance Trend



	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20*	6/30/21*
■ Unassigned	2,730,030	2,303,702	1,956,402	1,587,956	1,287,920	2,070,423	1,769,748	1,841,412	1,372,942	972,942	508,023
■ Assigned	1,860,598	2,958,474	2,913,098	3,643,199	7,399,891	5,421,609	6,756,915	8,613,999	6,223,980	5,858,980	4,343,868
■ Committed	7,940,805	9,639,446	11,735,72	12,941,93	10,772,24	10,172,66	9,818,142	8,342,659	7,436,178	6,567,197	5,052,084
■ Restricted	813	16,223	34,372	17,954	17,954	19,525	73,484	69,027	36,513	36,513	36,513
■ Nonspendable	110,053	337,370	289,196	121,720	121,720	299,475	229,889	311,272	623,664	623,664	623,664

■ Nonspendable ■ Restricted ■ Committed ■ Assigned ■ Unassigned

Impact of Max Millage Increases



	20-21	21-22	22-23	23-24	24-25	25-26
■ Shortfall-Max Millage Increase	(2,495,144)	(3,005,630)	(3,174,562)	(3,070,938)	(3,088,058)	(3,205,137)
■ Shortfall-NO Millage Increase	(3,495,144)	(4,669,146)	(5,573,743)	(6,239,211)	(7,060,133)	(8,017,048)

■ Shortfall-Max Millage Increase ■ Shortfall-NO Millage Increase

2020-21 Millage Options

Millage Increase- Current 1920 Millage 16.6138 mills	0.4320 mills (2.6%)	0.6057 mills (3.65%) *	0.7705 mills (4.64 %) *
2020-21 Proposed Millage Rate	17.0458	17.2195	17.3843
Total Tax Revenue Generated	\$713,000	\$1,000,000	\$1,272,000
Average Assessed Value (Residential)	\$220,000	\$220,000	\$220,000
Dollar (\$) Increase to Avg Taxpayer	\$95.04	\$133.36	\$168.56

* Millage option available upon PDE approval of Act 1 Exceptions

Summary of 2020-21 Budget

Total Estimated Revenues-January	\$44,972,905
Total Estimated Expenditures	48,468,049
Estimated Operating Shortfall (before millage increase)	<u>(3,495,144)</u>
Millage Increase to Index (0.4320 mills)	713,000
Millage Increase-Act 1 Exceptions (0.1737 mills)	<u>287,000</u>
Revised Operating Shortfall-January	(\$2,495,144)

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

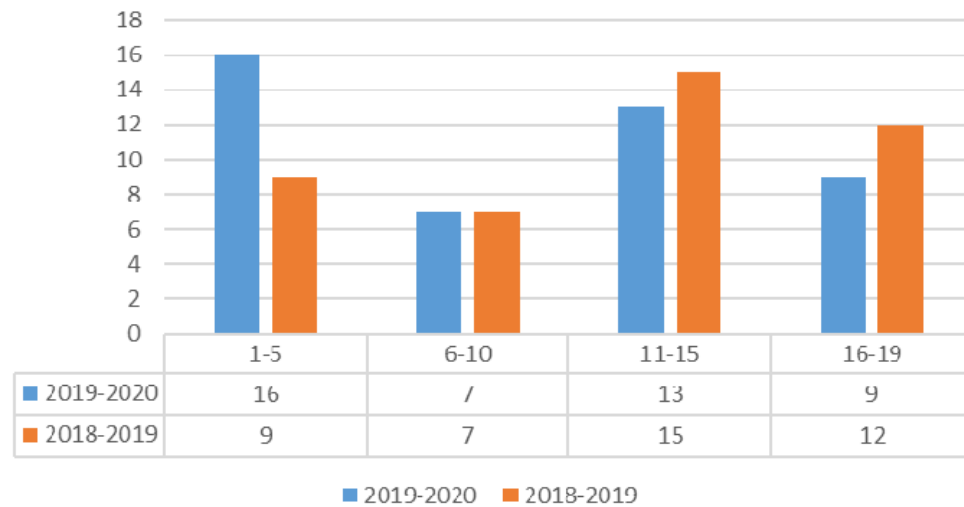
Funding Strategy- Utilize use of fund balance to fund current year (2021) costs for retiree healthcare coverage estimated to be approximately \$50,000

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

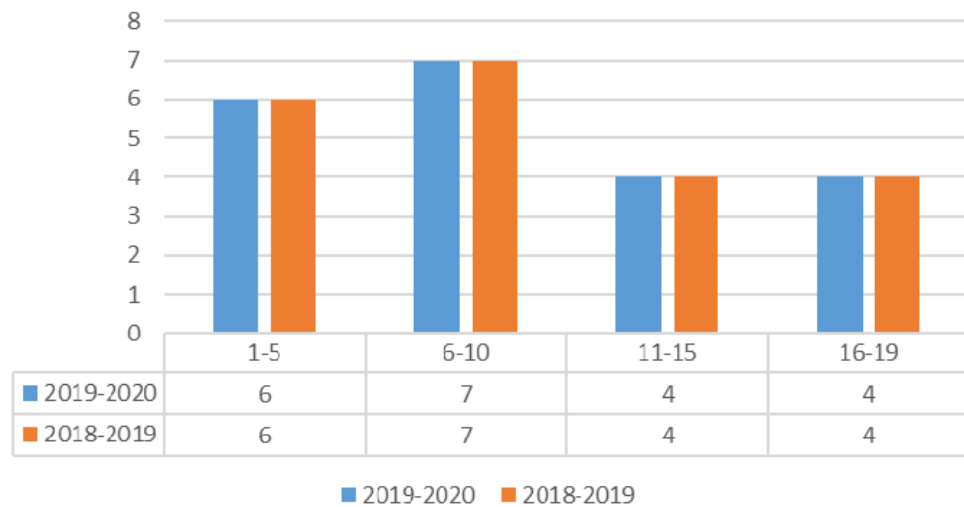
Transportation Fleet Age January 2020

Note: Currently there are 7 spare buses and 0 spare vans. NWLSD replacement plan for buses 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



2020-21 Fleet Replacements

- Transportation:
 - Replacements have historically been budgeted at \$230,000 annually anticipating 2 buses and 2 vans
 - Estimated need for 2021:
 - 3 Buses
 - 2 Vans
 - Estimated cost per bus \$110,000 (total \$330,000)
 - Estimated cost per van \$45,000
- Buildings & Grounds:
 - Two auto-scrubbers
 - UTV vehicle

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-2021

	AMOUNT
Estimated Available Balance-6/30/20	\$863,842
Proposed Transfer 2021:	
Refi Savings/Planned Transfer	346,000
Roof Replacements	300,000
LVHN Sponsorship	<u>71,000</u>
Total Proposed 2021 Transfer	\$717,000

RECOMMENDATION: Continue using refinancing savings & budgeted transfer to fund the capital reserve. Total proposed transfer \$717,000.

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

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

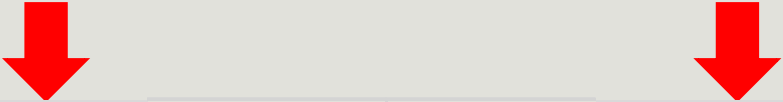
Funding Plan	Price per Gallon	Diesel 71,000 gallons	Heating Oil 120,000 gallons
Millage	\$2.00/gallon	\$142,000	\$240,000
Use of Fund Balance	\$0.50/gallon	<u>\$35,500</u>	<u>\$60,000</u>
Total Budget Amount	\$2.50/gallon	\$177,500	\$300,000

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, 2019 \$1,999,626
- 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 increases, 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	34.51%	0.22%	0.64%	32.00%	0.50%	1.59%
21-22	34.95%	0.44%	1.27%	33.00%	1.00%	3.13%
22-23	35.62%	0.67%	1.92%	34.25%	1.25%	3.79%
23-24	36.12%	0.50%	1.40%	35.50%	1.25%	3.65%
24-25	36.60%	0.48%	1.33%	36.25%	0.75%	2.11%
25-26	37.23%	0.63%	1.72%	37.23%	0.98%	2.70%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation.
(as of December 2019)

PSERS- Budget Strategy using 32%

	Payroll	Actual ER Cost	Budget	Planned Use of Fund Balance	Remaining Fund Balance
11-12	16,207,232	1,416,217			2,135,343
12-13	16,737,537	2,043,690		-	1,969,835
13-14	16,445,726	2,803,900		-	1,982,000
14-15	16,726,593	3,552,342		-	2,533,626
15-16	17,304,726	4,429,100		-	2,591,626
16-17	18,062,222	5,308,757		-	2,349,626
17-18	18,392,139	5,916,643		-	2,553,626
18-19	19,140,376	6,277,001			1,999,626
19-20*	19,914,923	6,817,944	6,273,201	(544,743)	1,454,883
20-21*	20,624,928	7,117,663	6,599,977	(517,686)	937,197
21-22*	21,243,676	7,424,665	7,010,413	(414,252)	522,945
22-23*	21,880,986	7,794,007	7,494,238	(299,770)	223,176
23-24*	22,537,416	8,140,515	8,000,783	(139,732)	83,444
24-25*	23,213,538	8,496,155	8,414,908	(81,247)	2,197
25-26*	23,909,944	8,901,672	8,901,672	-	2,197

* 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 2020-21
 - Purpose of the 3% is to reserve for interest rate spikes during the year
- Average actual rates 1.10% - 2.97%
- Current rates (January 2020) 1.70% and 2.08%

RECOMMENDATION: Continue budgeting 3% funding 1.5% with millage, and 1.5% with fund balance, approximately \$200,000.

Curriculum Textbook/Materials

Historically budget level amount of \$230,000 for textbook/material needs, and use fund balance if additional funds are needed

2020-21 Estimated funds needed for NEW curriculum textbook/materials \$245,000

Estimates may be revised based on recommendations from the Curriculum Task Force

RECOMMENDATION: Continue level funding in Curriculum budget and budget additional \$15,000 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 (\$3,495,144)

Shortfall-January	(\$3,495,144)	Assigned FB	
		Fleet Replacements	\$140,000
Restricted FB		Curriculum	15,000
Scholarships	15,000	Technology	200,000
		Athletic Club Funds	5,000
Committed FB			
Emmaus Bond Pool	200,000	Unassigned FB	
OPEB	50,000	Budgetary Reserve	<u>400,000</u>
PSERS Stabilization	520,000		
Energy Stabilization (oil/diesel)	95,000	Total Proposed Use of FB	1,670,000
Senior Tax Rebate	30,000	Proposed Millage Increase	<u>1,000,000</u>
		Remaining Shortfall	\$825,144

Next Steps...

Meeting	Discussion/Action Item
April Workshop	Update assumptions & present changes from January
April-May	Finalize staffing plans and make necessary adjustments
May Workshop	Present Proposed Final Budget
May Board *	Adopt Proposed Budget
June Workshop	Present Final Budget
June Board *	Adopt Final Budget

* Requires formal Board Adoption of Budget