



2021-2022 Budget Discussion & Budget Strategies

Northwestern Lehigh School District
Board Workshop
February 6, 2021

Agenda

- Budget Goals
- Fund Balance as of June 30, 2020
- Millage Options
- 2021-22 Budget Summary
- Budgeting Strategies
 - OPEB
 - Fleet Replacements
 - Capital Reserve
 - Stabilization Funds
 - Budgetary Reserve
- Next Steps

2021-2022 BUDGET GOALS

1. Implement Future Ready Comprehensive Plan-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 short-term and long-term focus to create a sustainable funding plan that addresses the challenges of anticipated shortfalls
7. Continue to identify areas to maximize efficiencies and reduce costs to minimize impact on programs
8. Provide a funding plan to meet the district's needs while minimizing any potential tax increase to taxpayers

Fund Balance-June 30, 2020

Composition of Fund Balance	Balance June 30, 2020
Non-spendable	\$690,862
Restricted	183,897
Committed	7,094,293
Assigned	6,713,865
Unassigned	<u>1,160,378</u>
Total	\$15,843,295

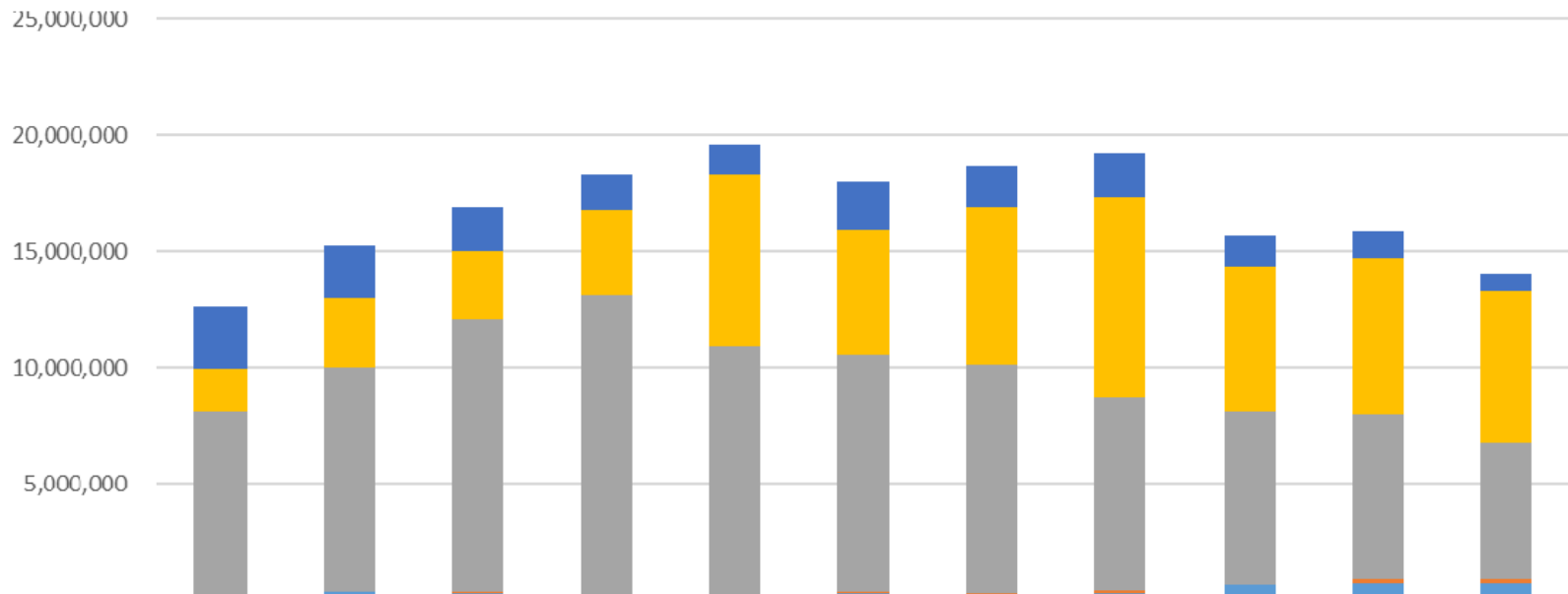
- **Non-spendable**-amounts that cannot be spent because they are in a non-spendable form or legally required to be maintained in tact (inventory/prepaid)
- **Restricted**-amounts constrained to be used for a specific purpose as per external parties/law (Foundation)
- **Committed**- amounts constrained 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 6/30/20
Other Post Employment Benefits (OPEB)	\$2,933,082
Healthcare Stabilization	1,420,000
Retirement Stabilization (PSERS)	2,053,626
Emmaus Bond Pool Rate Stabilization	204,934
Millage Rate Stabilization	22,651
Energy Stabilization	<u>460,000</u>
Total	\$7,094,293

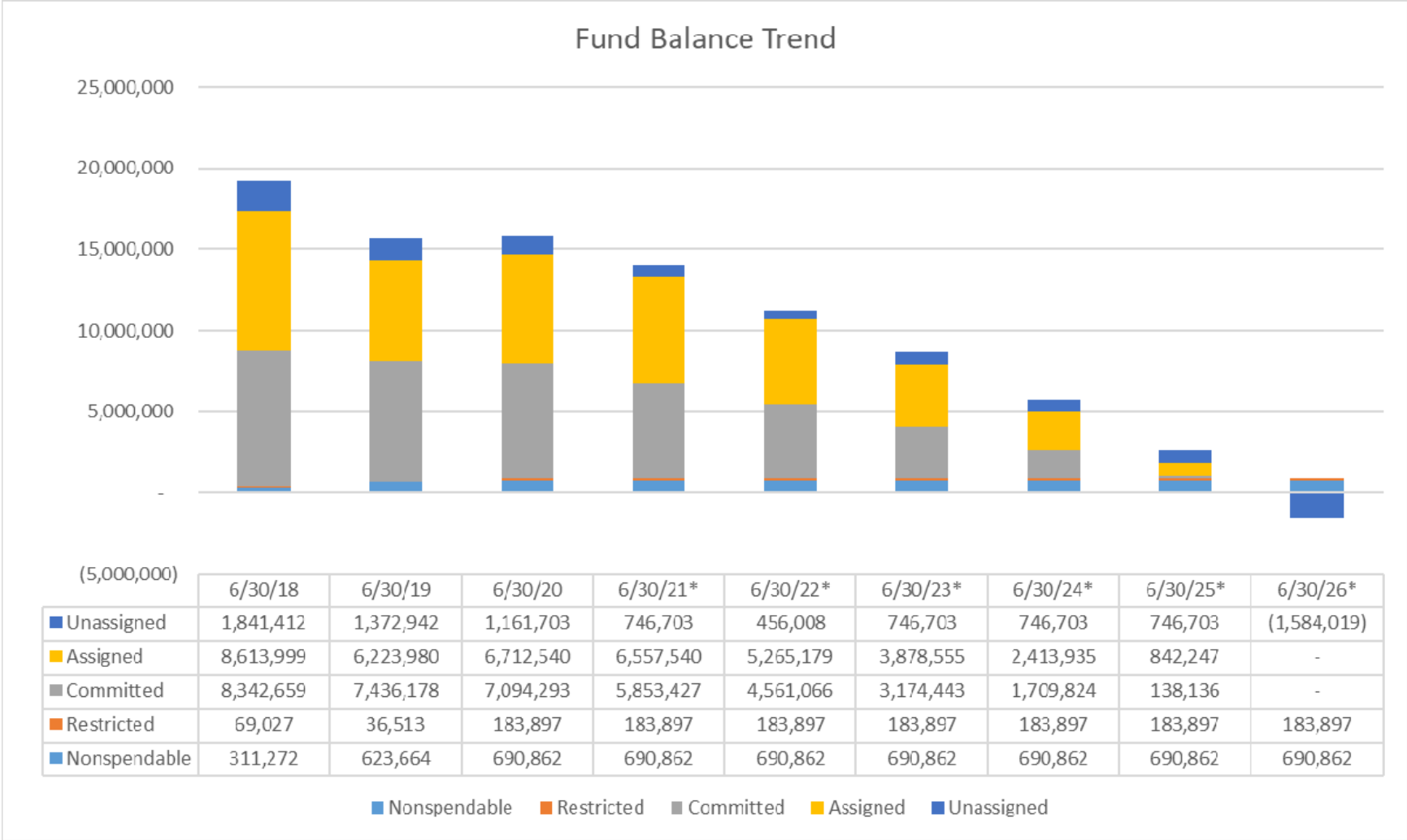
ASSIGNED	BALANCE 6/30/20
Technology	\$811,000
Curriculum Textbooks/Materials	2,167,999
Capital Projects	1,464,000
Bus Replacements	460,000
Budget Appropriations	<u>1,812,191</u>
Total	\$6,713,865

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	1,161,703	746,703
■ 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	6,712,540	6,557,540
■ Committed	7,040,805	9,639,446	11,735,72	12,941,93	10,772,24	10,172,66	9,818,142	8,342,650	7,436,178	7,094,293	5,853,427
■ Restricted	813	16,223	34,372	17,954	17,954	19,525	73,484	69,027	36,513	183,897	183,897
■ Nonspendable	110,053	337,370	289,196	121,720	121,720	299,175	229,889	311,272	623,661	690,862	690,862

■ Nonspendable ■ Restricted ■ Committed ■ Assigned ■ Unassigned



Fund Balance trends based on five-year budget projections from Forecast5.

2021-2022 Millage Options

Millage Increase- Current 2021 Millage 17.2195 mills	0.2583 mills (1.5%)	0.5165 mills (3.00%) *
2020-21 Proposed Millage Rate	17.4778	17.7360
Total Tax Revenue Generated	\$427,500	\$855,000
Average Assessed Value (Residential)	\$220,000	\$220,000
Dollar (\$) Increase to Avg Taxpayer	\$56.83	\$113.65

Summary of 2021-2022 Budget

Total Estimated Revenues-January	\$44,720,160
Total Estimated Expenditures	48,450,577
Estimated Operating Shortfall (before millage increase)	<u>(3,730,417)</u>
Millage Increase to Index (0.5160 mills)	855,000
Revised Operating Shortfall-January	(\$2,875,417)

Other Post Employment Benefits (OPEB)

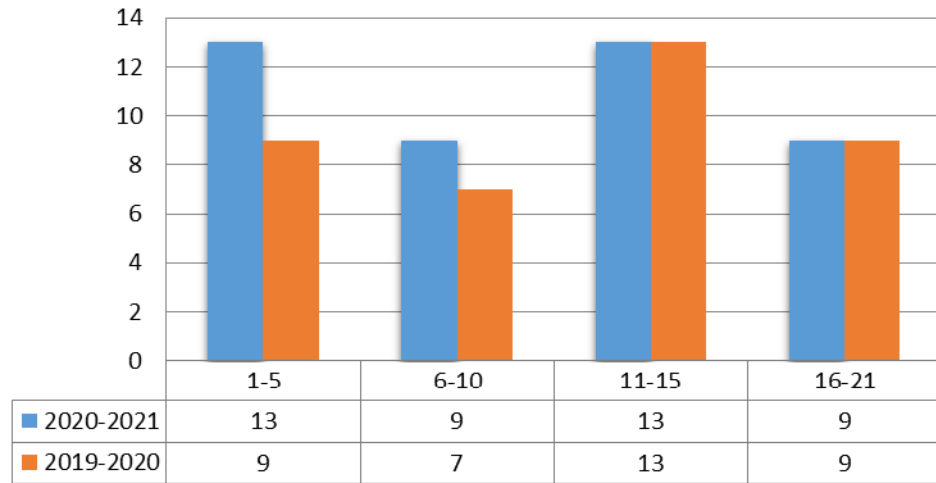
- GASB 45 is the accounting pronouncement for accounting and reporting by employers for post employment benefits other than pensions
 - Includes post retirement healthcare benefits
 - Requires reporting in the financial statement
- Required bi-annual actuarial report
 - Valuation as of July 1, 2020
- Funding Strategy- Utilize use of fund balance to fund current year (2122) 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.

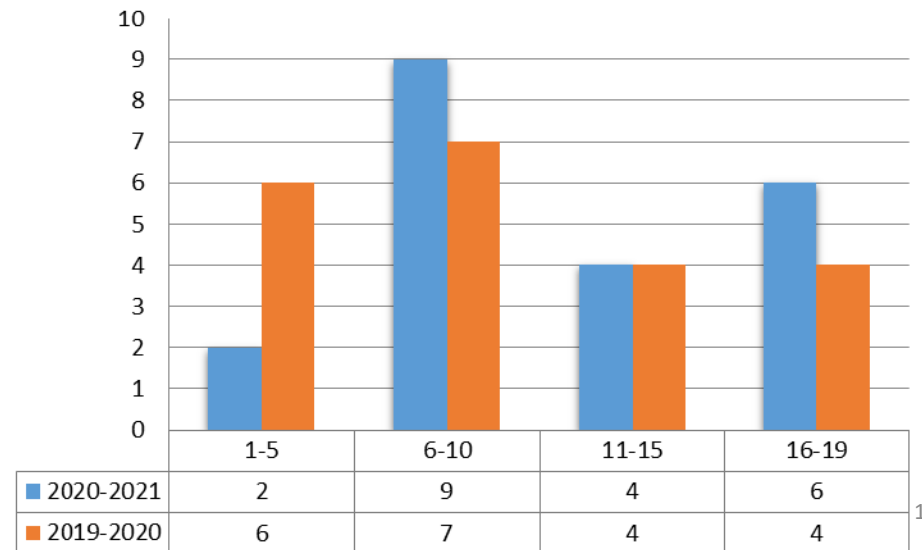
Transportation Fleet Age January 2021

Note: Currently there are 14 spare buses and 2 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



2021-22 Fleet Replacements

- Transportation:
 - Replacements have historically been budgeted at \$230,000 annually anticipating 2 buses and 1 vans
 - Estimated need for 2122:
 - 2 Buses
 - 2 Vans
 - Estimated cost per bus \$110,000
 - Estimated cost per van \$45,000
- Buildings & Grounds:
 - Maintenance Truck/Van
 - Estimated cost \$25,000

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-2021-22

	AMOUNT
Estimated Available Balance-6/30/21	\$621,616
Proposed Transfer 2122:	
Refi Savings/Planned Transfer	160,000
Roof Replacements	300,000
LVHN Sponsorship	<u>71,000</u>
Total Proposed 2122 Transfer	\$531,000

RECOMMENDATION: Continue using refinancing savings & budgeted transfer to fund the capital reserve. Total proposed transfer \$531,000.

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

Current Fuel Analysis

- With COVID shutdown, district took remaining gallons of diesel and converted it to heating oil and topped off all the tanks in Spring 2020
- District committed half our typical gallons with the CSIU16 fuel bid for 2020-21
- First delivery of heating oil and diesel was in December 2020
- Analyzing the usage for the rest of 2021 and making adjustments for fuel estimates in 2021-22

RECOMMENDATION: Budget the full gallons now, and continue to monitor usage through Spring 2021. Make final adjustments in May 2021 for 2021-22.

Heating Oil/Diesel Fuel

- Budgeted rate per gallon \$2.50 with \$1.75 per gallon funded through millage and \$0.75 per gallon funded through fund balance with the projection that the actual rate per gallon will be around \$1.75

Funding Plan	Price per Gallon	Diesel 70,000 gallons	Heating Oil 100,000 gallons
Millage	\$1.75/gallon	\$122,500	\$175,000
Use of Fund Balance	\$0.75/gallon	<u>\$52,500</u>	<u>\$75,000</u>
Total Budget Amount	\$2.50/gallon	\$175,000	\$250,000

RECOMMENDATION: If the district selects fluctuating pricing on the heating oil and/or diesel bids, budget an additional \$0.75 per gallon above the current fluctuating price to mitigate risk of price spikes during the year. Based on current year usage analysis, recommend budgeting additional contingency from fund balance to maintain gallons needed once cyclical purchasing resumes based on operations.

PSERS Stabilization

- Current balance June 30, 2020 \$2,053,626
- 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

PROJECTED RATES						
	ER Rate	Projected Rate Increase	% Increase	Rate in Budget	Budget Rate Increase	% Increase
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%	37.00%	0.75%	2.07%
26-27	37.79%	0.56%	1.50%	37.50%	0.50%	1.35%
27-28	38.17%	0.38%	1.01%	38.00%	0.50%	1.33%

ER Rate represents the projected PSERS employer contribution rate as of June 2019. The Rate in the budget is the estimated employer rate for budgeting to smooth the rate increases using the PSERS stabilization fund balance.

PSERS- Budget Strategy using 33%

		Actual ER		Planned Use	Remaining
	Payroll	Cost	Budget	of Fund Balance	Fund Balance
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	19,641,704	6,502,918			2,053,626
20-21	19,838,390	6,846,228	6,348,285	(497,944)	1,555,682
21-22	20,494,994	7,163,000	6,763,348	(399,652)	1,156,030
22-23*	21,109,844	7,519,326	7,230,122	(289,205)	866,825
23-24*	21,743,139	7,853,622	7,718,814	(134,807)	732,018
24-25*	22,395,433	8,196,729	8,118,345	(78,384)	653,634
25-26*	23,067,296	8,587,954	8,534,900	(53,055)	600,579

* 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 2021-22
 - Purpose of the 3% is to reserve for interest rate spikes during the year
- Average actual rates 1.10% - 2.97%
- Current rates (January 2021) 1.01% and 1.20%

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
- 2021-22 Estimated funds needed for NEW curriculum textbook/materials \$0
- Estimates may be revised based on recommendations from the Curriculum Task Force

RECOMMENDATION: Continue level funding in Curriculum budget and budget no additional funds 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 (\$3,730,417)

Shortfall-January	(\$3,730,417)	Assigned FB	
		Fleet Replacements	\$140,000
Restricted FB		Technology	80,000
Scholarships	15,000	Athletic Club Funds	5,000
Committed FB		Unassigned FB	
Emmaus Bond Pool	200,000	Budgetary Reserve	400,000
OPEB	50,000	Additional unassigned	<u>130,000</u>
PSERS Stabilization	400,000		
Energy Stabilization (oil/diesel)	200,000	Total Proposed Use of FB	1,650,000
Senior Tax Rebate	30,000	Proposed Millage Increase	<u>855,000</u>
		Remaining Shortfall	\$1,225,417

Next Steps...

Meeting	Discussion/Action Item
March Workshop	Update Revenue assumptions
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