



2022-2023 Budget: Strategies and Discussion

NORTHWESTERN LEHIGH SCHOOL DISTRICT

February 2nd, 2022

AGENDA

- Budget Goals
- Fund Balance
- Millage Options
- 2022-23 Budget Summary
- Budgeting Strategies
 - OPEB
 - Fleet replacements
 - Stabilization Funds
 - Budgetary Reserve
- Next Steps



2022-2023 BUDGET GOALS

1. Implement Future Ready Comprehensive Plan planning mission, vision, and 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 and 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



TOTAL FUND BALANCE

| Fund Balance | Balance as of 6/30/2021 |
|---------------|-------------------------|
| Non-spendable | \$690,862 |
| Restricted | \$183,897 |
| Committed | \$7,955,533 |
| Assigned | \$6,357,625 |
| Unassigned | \$1,264,537 |
| TOTAL | \$16,452,454 |

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



COMMITTED FUND BALANCE

| Committed | 6/30/21 Balance |
|---------------------------------------|------------------------|
| Other Post Employment Benefits (OPEB) | \$2,913,082 |
| Healthcare Stabilization | \$1,420,000 |
| Retirement Stabilization | \$2,254,000 |
| Emmaus Bond Pool Stabilization | \$404,934 |
| Millage Rate Stabilization | \$313,517 |
| Energy Stabilization | \$650,000 |
| TOTAL | \$7,955,533 |

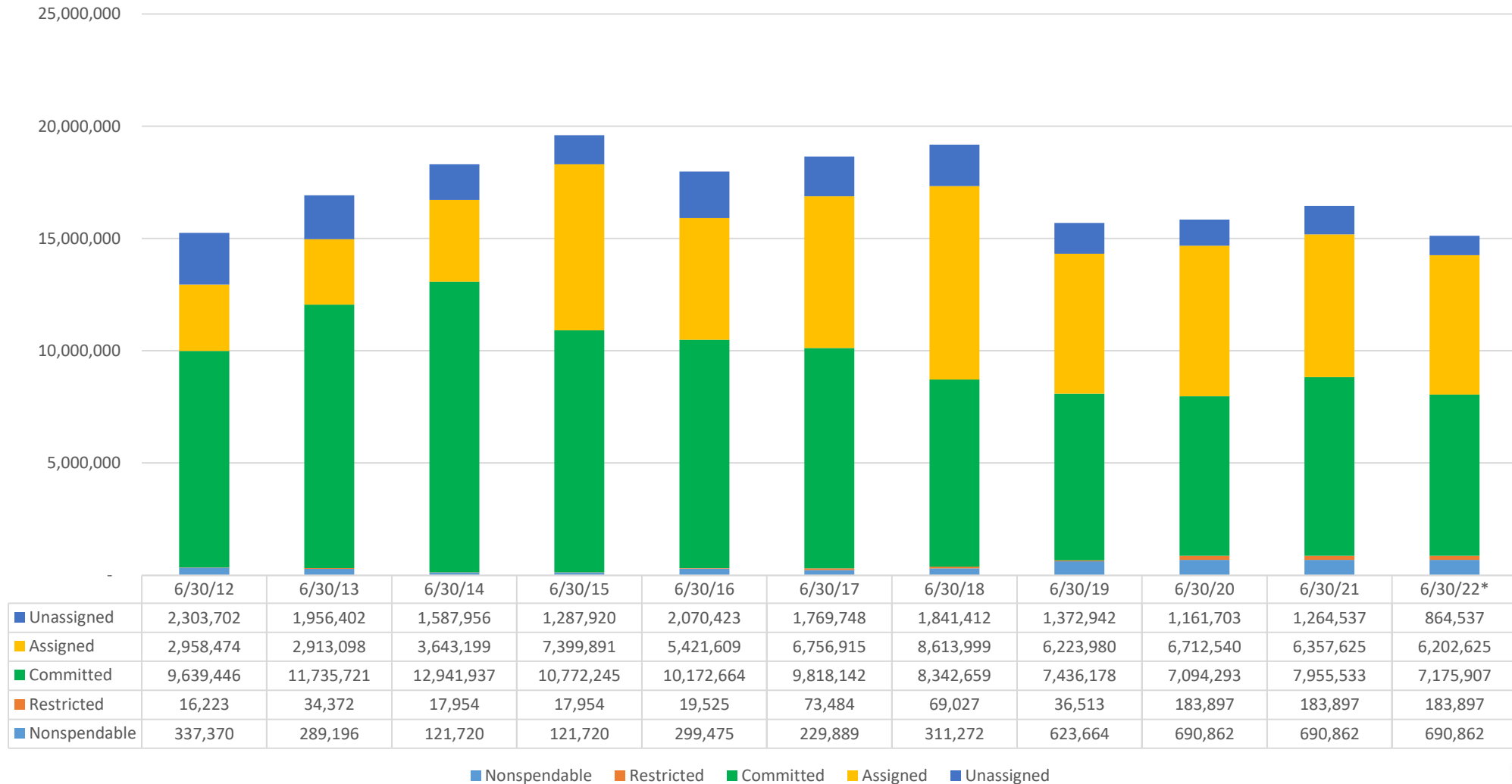


ASSIGNED FUND BALANCE

| Assigned | 6/30/21 Balance |
|--------------------------------|--------------------|
| Technology | \$946,000 |
| Curriculum Textbooks/Materials | \$2,182,999 |
| Capital Projects | \$1,464,000 |
| Bus Replacements | \$410,000 |
| Athletic Student Clubs | \$5,000 |
| Budget Appropriations | \$1,349,626 |
| TOTAL | \$6,357,625 |



FUND BALANCE TREND



MILLAGE OPTIONS

| Current Millage = 17.7360 | 1.7% | 3.4% (Index) |
|--------------------------------------|-------------|---------------------|
| Proposed Millage Rate | 18.0375 | 18.3390 |
| Total Tax Revenue Generated | \$503,254 | \$1,006,508 |
| Average Assessed Value (Residential) | \$220,000 | \$220,000 |
| Average Increase to Taxpayer | \$66.33 | \$132.66 |



BUDGET SUMMARY

| | |
|---|----------------------|
| | |
| Estimated Revenues | \$47,256,017 |
| Estimated Expenditures | \$50,291,113 |
| Estimated Shortfall (before millage increase) | <u>(\$3,035,096)</u> |
| Index Millage Increase (3.4%) | \$1,006,508 |
| Revised Shortfall | (\$2,028,588) |



OTHER POST EMPLOYMENT BENEFITS (OPEB)

GASB 45 is the accounting pronouncement for accounting and reporting by employers for post employment benefits other than pension

- Includes post retirement healthcare benefits
- Requires reporting in the financial statement
- Requires a bi-annual actuarial valuation

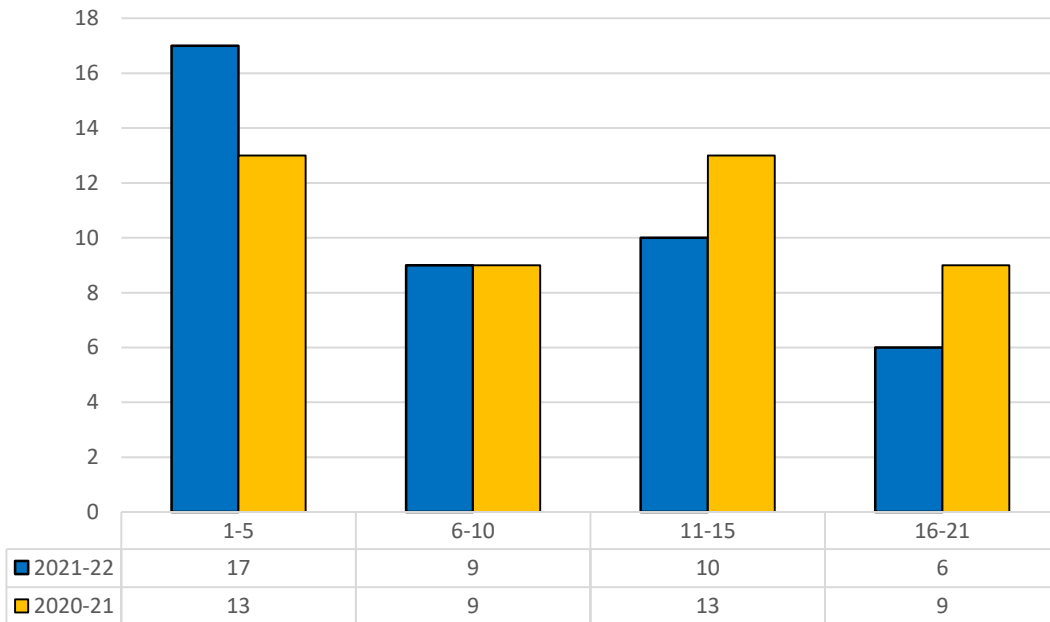
Funding Strategy: Utilize use of fund balance to current year costs for retiree healthcare coverage estimate to be approximately \$50,000

Recommendation: Continue to budget the actual cost of the retiree healthcare benefits through the use of fund balance

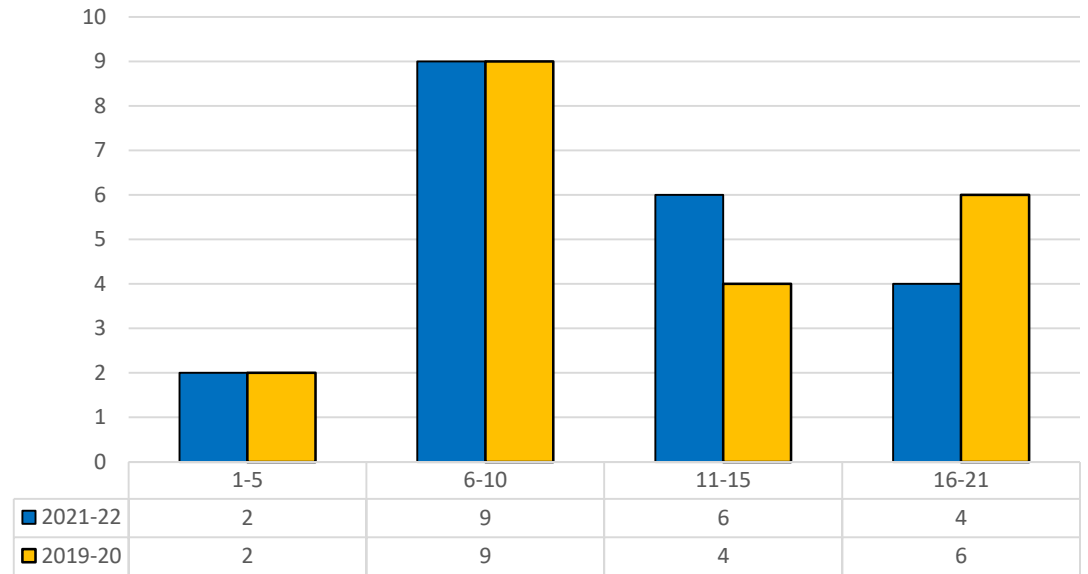


TRANSPORTATION FLEET AGE

Bus Fleet Age



Van Fleet Age



- NWLSD replacement plan for buses has been determined using a 15 year age for daily use vehicles in conjunction with mechanic analysis of fleet



FLEET REPLACEMENTS

Transportation:

- Replacements have historically been budgeted at \$230,000 annually anticipating 2 buses and 1 van
- Estimate need for 22-23:
 - 3 buses at as estimated \$110,000 per bus
 - 2 vans at an estimated \$45,000 per van

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



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 is \$3.00 with \$2.50 per gallon funded through millage and \$0.50 per gallon funded through fund balance with the projection that the actual rate per gallon be around \$2.50

| Funding Plan | Price Per Gallon | Diesel – 60,000 Gal | Heating Oil – 120,000 Gal |
|----------------------------|------------------|---------------------|---------------------------|
| Millage | \$2.50 | \$150,000 | \$300,000 |
| Use of Fund Balance | \$0.50 | \$30,000 | \$60,000 |
| Total Budget Amount | \$3.00 | \$180,000 | \$360,000 |

Recommendation: If the district selects fluctuating pricing, budget additional \$0.50 per gallon above the current fluctuating price to mitigate risk of price spikes



PSERS STABILIZATION

- Current balance as of June 30, 2021 is \$2,254,000
- Fund balance is utilized to minimize and smooth employer contribution rate increases year to year
- When employer contribution rate was low, district transferred planned budget funds to the reserve
- In recent years, when employer contribution rate has been high with large year to year increases, district utilized fund balance as budgeting tool to help manage increase over a longer period of time



PSERS PROJECTED RATES

| | ER Rate | Projected Rate Increase | % Increase | Rate in Budget | Budget Rate Increase | % Increase |
|--------------|--------------------|--|-----------------------|---------------------------|---------------------------------|-----------------------|
| 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 | 34.94% | 0.43% | 1.25% | 33.00% | 1.00% | 3.13% |
| 22-23 | 35.26% | 0.32% | 0.92% | 33.50% | 0.50% | 1.52% |
| 23-24 | 35.69% | 0.43% | 1.22% | 34.25% | 0.75% | 2.24% |
| 24-25 | 36.02% | 0.33% | 0.92% | 35.50% | 1.25% | 3.65% |
| 25-26 | 36.48% | 0.46% | 1.28% | 36.00% | 0.50% | 1.41% |
| 26-27 | 36.78% | 0.30% | 0.82% | 36.25% | 0.25% | 0.69% |
| 27-28 | 36.91% | 0.13% | 0.35% | 36.50% | 0.25% | 0.69% |
| 28-29 | 37.10% | 0.19% | 0.51% | 37.00% | 0.50% | 1.37% |



PSERS BUDGET STRATEGY

| | Payroll | Actual ER Cost | Budget | Planned Use of Fund Balance | Remaining Fund Balance |
|--------------|-------------------|---------------------------|------------------|--|-----------------------------------|
| 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 | 20,039,990 | 6,480,943 | 6,412,797 | - | 2,254,000 |
| 21-22 | 20,076,890 | 6,919,744 | 6,420,118 | (499,626) | 1,754,374 |
| 22-23 | 20,716,652 | 7,304,691 | 6,940,078 | (364,613) | 1,389,761 |
| 23-24* | 21,338,152 | 7,615,586 | 7,308,317 | (307,269) | 1,082,492 |
| 24-25* | 21,978,296 | 7,916,582 | 7,802,295 | (114,287) | 968,204 |
| 25-26* | 22,637,645 | 8,258,213 | 8,149,552 | (108,661) | 859,544 |
| 26-27* | 23,316,774 | 8,575,910 | 8,452,331 | (123,579) | 735,965 |

* Based on estimated 3% increase

Recommendation: Continue current funding strategy and utilize fund balance to smooth out PSERS employer rate increases.



EMMAUS BOND POOL RATE STABILIZATION

- Two variable interest rate debt issuances
- Historically budgeted 3-4% interest rate based on recommendations from PFM and transferred excess budget funds to fund balance
- Current Rate (January 2022) – 1.01% and 1.20%

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



CURRICULUM TEXTBOOKS/MATERIALS

- Historically budget level amount of \$230,000 for textbook/material needs, and use fund balance if additional funds are needed
- 2022-2023 additional estimated funds needed for new curriculum textbook/materials is \$100,000
- Estimates may be revised based on recommendations from the curriculum task force

Recommendation: Fund full \$100,000 of additional new curriculum textbook and materials through the use of fund balance



BUDGETARY RESERVE

- The purpose of the budgetary reserve is to cover unplanned expenditures or to cover expenditures that resulted in additional costs compared to estimates
- Historically funded through millage or a combination of millage and fund balance

Recommendation: Fund full \$400,000 of budgetary reserve through use of fund balance



FUNDING THE SHORTFALL

January Shortfall: \$3,035,096

Restricted Fund Balance

Scholarships \$15,000

Committed Fund Balance

Emmaus Bond Pool \$200,000
 OPEB \$50,000
 PSERS Stabilization \$365,000
 Energy Stabilization \$90,000
 Senior Tax Rebate \$30,000

Assigned Fund Balance

Fleet Replacements \$100,000
 Athletic Club Funds \$5,000
 Curriculum \$100,000

Unassigned Fund Balance

Budgetary Reserve \$400,000

Total Proposed Use of FB: \$1,355,000
Proposed Millage Increase: \$1,006,508
Remaining Shortfall: \$673,588

TIMELINE

- February to April – Budget planning, staffing meetings, board updates
- May 4th Workshop – Proposed Budget Presentation
- **May 11th Board Meeting – Proposed Final Budget Adoption**
- June 1st Workshop – Final Budget Presentation
- **June 15th Board Meeting – Final Budget Adoption**

