



# 2011-2012 Budget Discussion

Northwestern Lehigh School  
District

April 14, 2011

# [ Agenda ]

---

- Overview
  - 2011-12 Budget Summary (Jan 12<sup>th</sup>)
  - 2011-12 Budget Update (March 10<sup>th</sup>)
- 2011-12 Budget Discussion
  - Revisions
  - Budgeting Strategies

# [ 2011-2012 Budget Goals ]

---

- Preserve instructional programs with some modifications
- Provide appropriate class sizes
- Continue looking for areas to cut-back and do things differently without negatively affecting programs
- Plan for our future

# [ Budget Timeline ]

2011-2012 Budget Timeline	Dates	Estimated Revenue	Estimated Expenditures	Estimated Budget Shortfall	Estimated Budget Shortfall w/Millage Increase
Budget Overview	Jan 12, 2011	\$ 35,279,293	\$ 36,978,201	\$ (1,698,908)	\$ (1,329,517)
Budget Discussion	March 10, 2011	\$ 34,923,590	\$ 36,978,201	\$ (2,054,611)	\$ (1,685,220)
<b>Budget Update</b>	<b>April 14, 2011</b>	<b>\$ 35,331,772</b>	<b>\$ 36,740,645</b>	<b>\$ (1,408,873)</b>	<b>\$ (1,033,331)</b>
Preliminary Budget Adoption	May 11, 2011	TBD	TBD	TBD	TBD
Final Budget Adoption	June 15, 2011	TBD	TBD	TBD	TBD

Assumes max millage increase of 0.86 mills

# 2011-12 Budget Summary January 12<sup>th</sup> & March 10<sup>th</sup>

	Actual 2009-10	Final Budget 2010-11	Jan 12, 2011 Budget 2011-12	March 10, 2011 Budget 2011-12
Total Bldg & Dept	2,754,086	3,517,711	3,517,711	3,517,711
Total Salaries	16,385,972	16,574,883	17,072,151	17,072,151
Total Benefits	5,434,551	6,844,969	7,131,949	7,131,949
District Wide	7,483,485	9,435,655	9,029,390	9,029,390
Grant Expenditures	373,136	558,847	227,000	227,000
<b>Estimated Total Exp</b>	<b>32,431,230</b>	<b>36,932,065</b>	<b>36,978,201</b>	<b>36,978,201</b>
<b>Estimated Total Rev</b>	<b>35,838,822</b>	<b>36,681,961</b>	<b>35,279,293</b>	<b>34,923,590</b>
<b>Excess/(Shortfall)</b>	<b>3,407,592</b>	<b>(250,104)</b>	<b>(1,698,908)</b>	<b>(2,054,611)</b>
<b>Estimated Millage Increase- 0.86 mills</b>			369,391	369,391
<b>Excess/(Shortfall) to Balance Budget</b>			<b>(1,329,517)</b>	<b>(1,685,220)</b>

  
**(\$355,703)**  
**Additional Reduction**

Same base budget assumptions included in March 10, 2011 summary for expenditures. Additional shortfall a result of the additional unexpected cuts from Governor Corbett's state budget. Shortfalls noted are before millage increase.

# 2011-12 **Revenue** Base Assumptions January 12, 2011 & March 10, 2011

- Local Sources
  - 95.5% collection rate
  - Reduction to interim & transfer taxes
  - Elimination of ARRA IDEA
- State Sources
  - Reduction in Basic Education Funding (BEF) with elimination of ARRA
  - Elimination of Cyber/Charter reimbursement
  - Reduction in Rental/Sinking Payments
  - Elimination of Accountability Block Grant (ABG)
  - Reduction in Social Security reimbursement
- Federal Sources
  - Elimination of ARRA funds

# 2011-12 **Expenditure** Base Assumptions January 12, 2011

- Building/Departments- flat unless known increases
- Salaries
  - 3% Professionals, Support, Administrators
  - 0%-1% Drivers
- Benefits
  - HBS 8% (includes medical & RX)
  - Dental 5%
  - PSERS 8.65%
- District Wide (specific identification)
  - Special Education
  - LCTI
  - LCCC
  - IU
  - Debt payments
- Grants
  - Significant decrease due to elimination of ARRA funds

# 2011-12 Budget Summary

## April 14th

	Final Budget 2010-11	Jan 12, 2011 Budget 2011-12	March 10, 2011 Budget 2011-12	April 14, 2011 Budget 2011-12
Total Bldg & Dept	3,517,711	3,517,711	3,517,711	4,403,222
Total Salaries	16,574,883	17,072,151	17,072,151	16,546,993
Total Benefits	6,844,969	7,131,949	7,131,949	6,659,482
District Wide	9,435,655	9,029,390	9,029,390	8,903,948
Grant Expenditures	558,847	227,000	227,000	227,000
<b>Estimated Total Exp</b>	36,932,065	36,978,201	36,978,201	36,740,645
<b>Estimated Total Rev</b>	36,681,961	35,279,293	34,923,590	35,331,772
<b>Excess/(Shortfall)</b>	(250,104)	<b>(1,698,908)</b>	<b>(2,054,611)</b>	<b>(1,408,873)</b>
<b>Estimated Millage Increase- 0.86 mills</b>		369,391	369,391	375,542
<b>Excess/(Shortfall) to Balance Budget</b>		<b>(1,329,517)</b>	<b>(1,685,220)</b>	<b>(1,033,331)</b>

Reduced shortfall by **increases to Revenues** by (+) \$414,000, and **decreases to Expenditures** by (-) \$238,000

**\$651,889**  
**Reduced Shortfall w/  
 Millage Increase**



# 2011-12 Budget Summary

## April 14th

	March 10, 2011 Budget 2011-12	April 14, 2011 Budget 2011-12	Change from 3/10/11
Total Bldg & Dept	3,517,711	4,403,222	885,511
Total Salaries	17,072,151	16,546,993	(525,158)
Total Benefits	7,131,949	6,659,482	(472,467)
District Wide	9,029,390	8,903,948	(125,442)
Grant Expenditures	227,000	227,000	-
<b>Estimated Total Expenditures</b>	<b>36,978,201</b>	<b>36,740,645</b>	<b>(237,556)</b>
<b>Estimated Total Revenues</b>	<b>34,923,590</b>	<b>35,331,772</b>	<b>408,182</b>
<b>Excess/(Shortfall)</b>	<b>(2,054,611)</b>	<b>(1,408,873)</b>	<b>645,738</b>
<b>Estimated Millage Increase- 0.86 mills</b>	<b>369,391</b>	<b>375,542</b>	<b>6,151</b>
<b>Excess/(Shortfall) to Balance Budget</b>	<b>(1,685,220)</b>	<b>(1,033,331)</b>	<b>651,889</b>

# [ Focus ]

---

- Continue reducing the budget gap by making modifications to staffing
  - Administration
  - Professionals
  - Support Staff

# [ Focus ]

---

- Analyze budgeting strategies on funding:
  - PSERS
  - Diesel & Heating Oil Costs
  - Bus/Van Replacements
  - OPEB
  - EBP Rate Stabilization
  - Budgetary Reserve
  - Use of Fund Balance

# [ Changes to close the gap... ]

- Increases to taxable assessment for real estate tax revenue
- Staff re-organizations & planned non-replacements
- Reductions in healthcare premiums as a result of Consortium RFP

# 11-12 Revised **Revenue** Assumptions

## April 14, 2011

- Local Sources
  - **96% collection rate**
  - **Increase in Assessed Value**
  - Reduction to interim & transfer taxes
  - Elimination of ARRA IDEA
- State Sources
  - **Changes in Basic Education Funding (BEF)**
  - Elimination of Cyber/Charter reimbursement
  - Reduction in Rental/Sinking Payments
  - Elimination of Accountability Block Grant (ABG)
  - **Reduction in Social Security reimbursement**
  - **Reduction in PSERS reimbursement**
- Federal Sources
  - Elimination of ARRA funds

**Bolded** items are revisions from March 10<sup>th</sup> budget assumptions

# Revenue Changes by Category

## Local Sources

Increase in collection %	109,726
Increase in assessed value	166,759
Increased value of 1 mill	6,151
	<b>282,636</b>

## State Sources

Increase to BEF estimate	249,568
Reduction in SS	(62,445)
Reduction in PSERS	(55,426)
	<b>131,697</b>

<b>Total Increase</b>	<b>414,333</b>
-----------------------	----------------

**Changes correspond to revenue source budget categories.  
Comparison of budget amounts from March 10<sup>th</sup> to April 14<sup>th</sup>**

# [ 11-12 Revised **Expenditure** Assumptions- April 14, 2011 ]

- Building/Departments
  - **Reclassification of prior year fund transfers (technology, texts, B&G)**
  - **Budgeted use of Fund Balance for diesel, heating oil, technology**
- Salaries
  - 3% Professionals, Support, Administrators
  - 1% Drivers
  - **Reductions based on non-replacements & retirements**
- Benefits-
  - **HBS 7% (includes medical & RX) based on renewal with Highmark**
  - Dental 5%
  - **PSERS 9.50%**
- District Wide (specific identification)
  - Special Education
  - LCTI
  - LCCC
  - IU
  - Debt payments
  - **Reclassification of prior year fund transfers to Bldg/Dept budgets**
- Grants
  - Significant decrease due to elimination of ARRA funds

**Bolded** items are revisions from March 10<sup>th</sup> budget assumptions

# Expenditures Changes by Category

	<u>Increase/ (Decrease)</u>
<b>Bldg &amp; Dept Budgets</b>	
Reclassification of Accounts	473,361
Bus/Van Replacement	180,000
Increases to Diesel/Oil	132,150
Addtl Technology Needs	100,000
	<b>885,511</b>
<b>Salaries</b>	
Administration	(143,386)
Professionals	(94,528)
Support	(287,244)
	<b>(525,158)</b>
<b>Benefits</b>	
Health Benefits	(615,453)
PSERS	92,076
Social Security	(40,454)
Workers' Compensation	22,876
Other	68,488
	<b>(472,467)</b>
<b>District Wide</b>	
Reclass of fund transfers	(337,000)
Refined estimates:	
Cyber/Charter	100,000
IU	36,765
Digital Academy	7,000
LCTI Academy	17,824
Debt	53,283
Other	(3,314)
	<b>(125,442)</b>
<b>Total Reduction</b>	<b>(237,556)</b>

**Changes correspond to major budget categories. Comparison of budget amounts from March 10<sup>th</sup> to April 14<sup>th</sup>**



# [ Budgeting Strategy ]

---

- PSERS
- Diesel & Heating Oil Costs
- Bus/Van Replacements
- OPEB
- EBP Rate Stabilization
- Budgetary Reserve
- Use of Fund Balance


# [ Budgeting Strategy ]

---

- PSERS

- 2011-12 budget rate 9.50% vs. actual rate of 8.65%
- GOAL- levelize increases for next five years when rate spikes are large

# [ PSERS-Projected Rates ]



	ER Rate	Projected Increase	Rate in Budget	Budget Increase
08-09	4.76%		7.13%	
09-10	4.78%	0.02%	7.13%	0.00%
10-11	5.64%	0.86%	8.22%	1.09%
11-12	8.65%	3.01%	9.50%	1.28%
12-13	12.19%	3.54%	11.50%	2.00%
13-14	16.69%	4.50%	14.25%	2.75%
14-15	21.18%	4.49%	17.25%	3.00%
15-16	23.66%	2.48%	20.50%	3.25%

Rates published by the Public School Employees' Retirement System (PSERS) as determined by an Actuarial Valuation. Rates include changes that are effective July 1, 2011 for new employees.

# PSERS- Budget Strategy using 9.50%

	Payroll	Actual ER Cost	Budget	Planned Use of Fund Balance	Remaining Fund Balance
08-09	16,667,585	793,377	1,188,399		
09-10	16,631,746	794,997	1,185,843	-	1,330,000
10-11	16,574,883	934,823	1,362,455	-	1,757,632
11-12*	16,216,699	1,402,744	1,540,586	-	1,895,474
12-13*	16,703,200	2,036,120	1,920,868	(115,252)	1,780,222
13-14*	17,204,296	2,871,397	2,451,612	(419,785)	1,360,437
14-15*	17,720,425	3,753,186	3,056,773	(696,413)	664,024
15-16*	18,252,038	4,318,432	3,741,668	(576,764)	87,260

\* Payroll costs are based on 3% annual increases for all years

Additional fund balance added in 2010-11 & 2011-12 due to budgeted rate being higher than actual rate

This funding strategy will allow the district to levelize increases as the ER Contribution rate spikes to 27.05% in 2023-2024

# PSERS- Budget Strategy Using 8.65%

	Payroll	Actual ER Cost	Budget	Planned Use of Fund Balance	Remaining Fund Balance
08-09	16,667,585	793,377	1,188,399		
09-10	16,631,746	794,997	1,185,843	-	1,330,000
10-11	16,574,883	934,823	1,362,455	-	1,757,632
11-12*	16,216,699	1,402,744	1,402,744	-	1,757,632
12-13*	16,703,200	2,036,120	1,778,891	(257,229)	1,500,403
13-14*	17,204,296	2,871,397	2,305,376	(566,021)	934,381
14-15*	17,720,425	3,753,186	2,906,150	(847,036)	87,345
15-16*	18,252,038	4,318,432	3,586,525	(731,907)	(644,562)

Assuming the same incremental increases to the ER Contribution rate, 2015-16 use of fund balance **exceeds** available fund balance and eliminates future needs for use of fund balance through 2023-24 when ER Contribution rate peaks at 27.05%.



# [ Diesel/Heating Oil ]

	<b>Diesel</b>	<b>Heating Oil</b>	<b>Total</b>
Budgeted Gallons	85,000	179,300	
Price Per Gallon	\$ 3.50	\$ 3.50	
<b>Millage</b>	\$ 3.00	\$ 3.00	
Budget Amt	\$ 255,000	\$ 537,900	\$ 792,900
<b>Fund Balance</b>	\$ 0.50	\$ 0.50	
Budget Amt	\$ 42,500	\$ 89,650	\$ 132,150
Total Budget	<u>\$ 297,500</u>	<u>\$ 627,550</u>	<u>\$ 925,050</u>

**Recommendation:** Budget \$3.50 per gallon, funding \$3.00 per gallon through millage and \$0.50 per gallon through use of fund balance. This strategy limits the expenditure increase in millage and uses fund balance reserve to mitigate the risk of high market prices.

# [ Bus/Van Replacement ]

---

- Replacements needed based on mechanic review
  - Bus 14 = 19 years old (spare)
  - Bus 27 = 15 years old (active)
  - Van 100 = 12 years old (active)
  - Van 103 = 12 years old (spare)
- Estimated cost per bus \$90,000 & per van \$25,000
- Total Estimated Cost \$230,000

# [ Bus/Van Replacement ]

- Van 103 needs repairs now
- **Recommendation:** Replace van 103 in the 2010-11 school year along with obtaining pricing for van 100. If favorable pricing for two vans, use 2010-11 funds to purchase the two vans
- **Result:** Replace 2 buses in 2011-12 saving approx \$25,000-\$50,000



# [ Our Current OPEB Funding Structure ]

- Reserved Fund Balance \$2,141,403
- Funding annual obligation of \$380,000
- Also, funding actual costs for retiree benefits \$294,000 (11-12)
- Total amount allocated for OPEB in budget  
 $\$380,000 + \$294,000 = \$674,000$

# [ Budgeting Strategy-OPEB ]

- Utilize Reserved Fund Balance to offset the medical costs for 10-11 retirees
- Continue budgeting the Annual Required Contribution of \$380,000\*
- Continue funding the cost for retirees prior to 10-11

Estimated Annual Cost	\$ 294,136
Annual Required Contribution	\$ 380,000
Total Budget Amount	\$ 674,136
Use of Fund Balance **	\$ 75,000
Millage	\$ 599,136
	\$ 674,136

\*Amount should change for final budget adoption based on new Actuarial Valuation for June 30, 2011.

\*\*Amount covers the medical costs for 10-11 retirees.

# Budgeting Strategy- EBP Rate Stabilization

- Variable Interest Rate Debt
- Historically budgeted 4% interest rate
- Average actual rates ranged 1.12%-2.84%
- Differential in rates went to designated fund balance
  - \$640,000 as of June 30, 2010

# Budgeting Strategy- EBP Rate Stabilization

	EBP GOB 2009 \$8,770,000		EBP GON 2007A \$8,500,000	
	Budget Rate	Actual Rate	Budget Rate	Actual Rate
2010-11*	4.00%	2.05%	4.00%	1.12%
2009-10	4.00%	2.03%	4.00%	1.14%
2008-09	n/a	n/a	4.00%	2.03%
2007-08	n/a	n/a	4.00%	2.84%

\*Average interest rate to date through April 6, 2011

# Budgeting Strategy- EBP Rate Stabilization

- 2011-12 continue to budget 4%, except fund \$151,181 with Designated Fund Balance
- Continues reserve in the event interest rates spike
- Frees up \$151,181 of millage for other uses while still mitigating the budget risk

# Budgeting Strategy- 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 100% of budgetary reserve with fund balance

# [ Use of Fund Balance ]

---

- District Savings Account
- Classifications:
  - Undesignated/Unreserved- can be used for any purpose
  - Designated/Reserved- can be used **ONLY** for specified purpose

# [ Use of Fund Balance ]

---

- Total Fund Balance (6/30/10) \$9,110,923
  - \$4,236,126 Unreserved/Undesignated
  - \$4,874,797 Reserved/Designated for specific purposes (healthcare, PSERS, debt, OPEB)
- Unreserved/Undesignated fund balance would cover approximately **1.5 months** of operating expenditures



[ REMEMBER..... ]

---

Fund balance should be used for

**ONE TIME EXPENDITURES**

not recurring expenditures

# Planned Use of Fund Balance

Proj Budget Shortfall-April 14, 2011	\$1,033,331	
Unreserved/Undesignated		
Budgetary Reserve	\$400,000	
Reduction in Millage Increase	\$0	
	<b>\$400,000</b>	← Any reduction in millage increase would be funded through fund balance
Designated/Reserved		
OPEB *	\$75,000	
Technology	\$100,000	
Bus Replacements	\$175,000	
Rate Stabilization Fund	\$151,181	
Diesel/Heating Oil	\$132,150	
	<b>\$633,331</b>	← Designated/Reserved Use of Fund Balance
Total Use of Fund Balance	<b>\$1,033,331</b>	

\* Amount requires board action to use for 2011-12

# Long-Term Projections

	<b>April 14, 2011 Budget 2011-12</b>	<b>Budget 2012-13</b>	<b>Budget 2013-14</b>	<b>Budget 2014-15</b>	<b>Budget 2015-16</b>
Total Bldg & Dept	4,403,222	4,403,222	4,403,222	4,403,222	4,403,222
Total Salaries	16,546,993	17,043,403	17,554,705	18,081,346	18,623,787
Total Benefits	6,659,482	7,454,160	8,592,886	9,797,361	10,698,360
District Wide	8,903,948	8,853,948	8,853,948	8,853,948	8,853,948
Grant Expenditures	227,000	227,000	227,000	227,000	227,000
<b>Estimated Total Exp</b>	<b>36,740,645</b>	<b>37,981,733</b>	<b>39,631,761</b>	<b>41,362,877</b>	<b>42,806,316</b>
<b>Estimated Total Rev</b>	<b>35,707,314</b>	<b>36,421,460</b>	<b>36,421,461</b>	<b>37,149,891</b>	<b>37,892,888</b>
<b>Excess/(Shortfall)</b>	<b>(1,033,331)</b>	<b>(1,560,273)</b>	<b>(3,210,300)</b>	<b>(4,212,987)</b>	<b>(4,913,428)</b>

Scenarios assume ONLY increases in salary and benefits, and 2% annual increase in revenues.

# [ What's Next ]

---

- Continue to refine revenue numbers
- Continue to look at areas to reduce and reorganize staff
- Maintain long-term budgeting focus
- Preliminary Budget May 11<sup>th</sup>
- Final Budget Adoption June 15<sup>th</sup>