



2019-20 Budget Presentation

Northgate School District
April 29, 2019

NORTHGATE.K12.PA.US

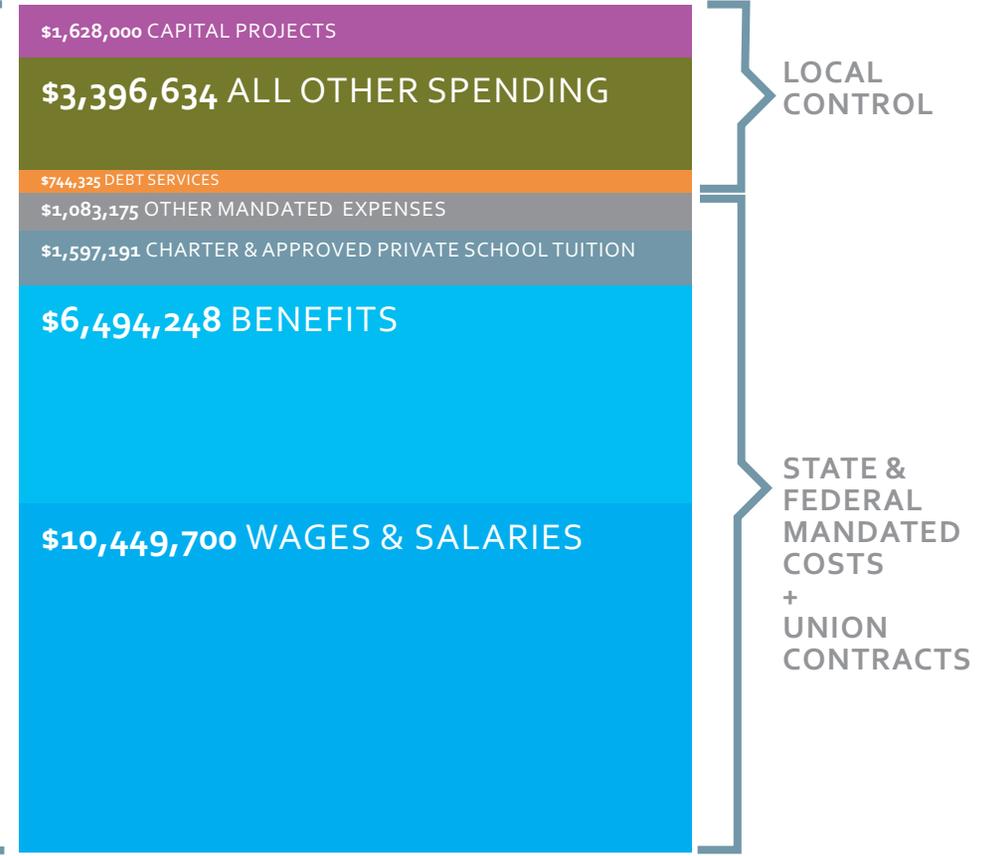
The numbers used in this report are based on information available as of 4/29/2019 and the budget will continue to be refined as new information becomes available until final passage in June.

2018-19 BUDGET REVIEW

2018-19 BUDGETED REVENUE



2018-19 BUDGETED EXPENSES



LOCAL REVENUE

Local revenue has only increased by \$1,393,700 (11%) from 2013 to 2018. Taxes have not been increased since 2014.

The modest growth is partially due to non-recurring revenue in delinquent tax collections.

STATE REVENUE

Basic Education Funding has only increased by \$358,401 (9.5%) from 2013 to 2018.

Special Education Funding has only increased \$71,679 (8.7%) from 2013 to 2018.

FEDERAL REVENUE

Federal revenue primarily consists of Title Funds and decreased by \$555,270 from 2013 to 2018.

WAGES, SALARIES & BENEFITS

Wages and salaries have only increased \$414,829 (4.17%) while benefit costs have increased \$2,297,027 (47%) from 2013 to 2018.

The majority of the increase in benefits is due to the mandated PSERS contributions that have increased by 177% from 2013 to 2018.

CHARTER SCHOOLS

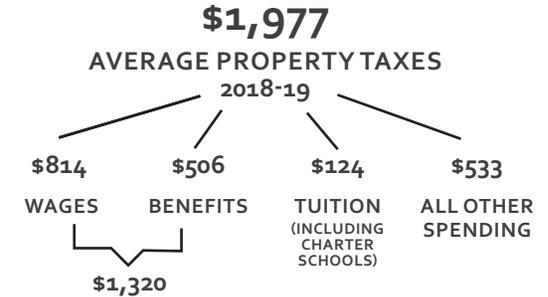
Tuition to charter school and special education placements have increased by \$368,029 (62%) from 2013 to 2018.

LOCAL PROPERTY VALUES

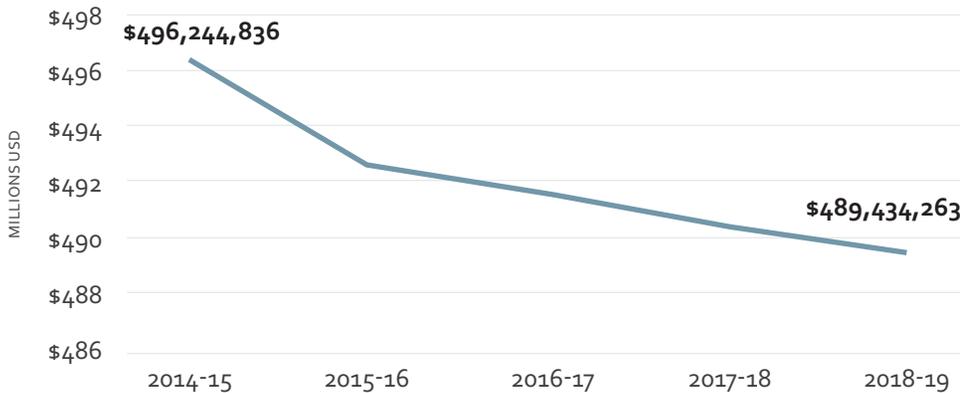
24.79
MILLAGE RATE
2018-19

\$442,640
VALUE OF 1 MILL
2018-19

\$91,300
AVERAGE HOME VALUE
2018-19



HISTORICAL ASSESSED PROPERTY VALUES IN AVALON & BELLEVUE



A STEEP DROP OFF

Property values in both Avalon and Bellevue peaked in the 2014-15 fiscal year due to the 2013 Allegheny County reassessment process. As home owners filed appeals on the new values, Northgate had to issue several refunds and overall value decreased.

Property values appear to be on the rise because of increased sale prices and demand. Even with reassessments upon sale overall growth has declined and nothing significant will happen until the next county wide reassessment takes place. It should be noted that even with a reassessment, public school districts are not allowed to receive "windfall" profits so the millage rate would need to be decreased keeping revenue relatively flat.

COST CONTROL & REVENUE GENERATING ACTIONS

The board and administration strive to make the best use of tax dollars and are always looking for ways to reduce costs and increase revenue while maintaining the best possible educational experience for our students. Below are a few examples of how that has been done over the past several years.

FURLOUGHS OF 2013

In 2013, Northgate furloughed 23 employees, resulting in a one-time savings of \$1,173,573 in salaries.

OUTSOURCING SUBSTITUTE SERVICE

Expected to generate savings of about \$120,000 from 2017-18 to 2018-19.

GRANT FUNDING

Commitment to classroom technology, "Maker" learning, curriculum enhancements, and safety improvements has resulted in added revenue of \$3,295,464 over the past five years. The district currently has several grant applications in progress.

DELINQUENT TAX COLLECTIONS

Focus on identifying and following up on delinquent property tax has added revenue of \$5,393,922 over the past five years.

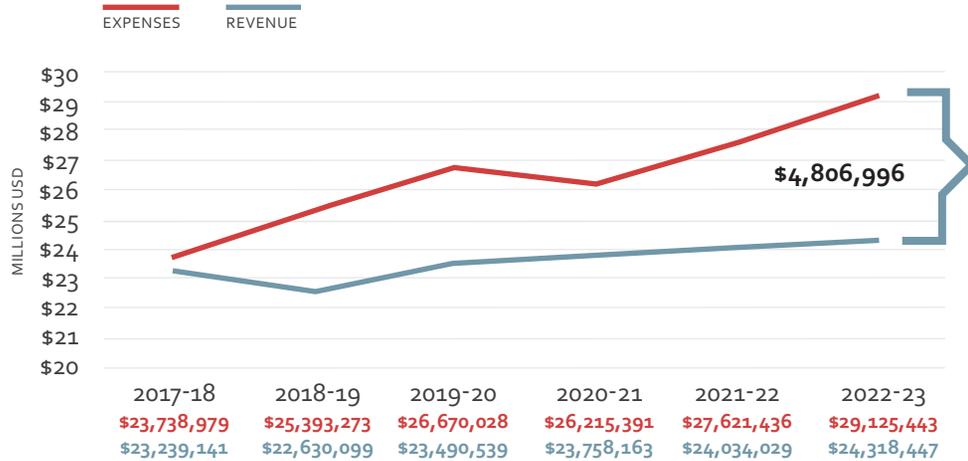
FINANCIAL PROJECTIONS

4.21%
REVENUE INCREASE PROJECTION
 FROM LOCAL SOURCES
 OVER THE NEXT 5 YEARS

8.74%
REVENUE INCREASE PROJECTION
 FROM STATE & FEDERAL SOURCES
 OVER THE NEXT 5 YEARS

21.04%
EXPENSE INCREASE PROJECTION
 FROM STATE & FEDERAL MANDATES
 + NEGOTIATED CONTRACTS
 OVER THE NEXT 5 YEARS

REVENUE WITH NO TAX INCREASE



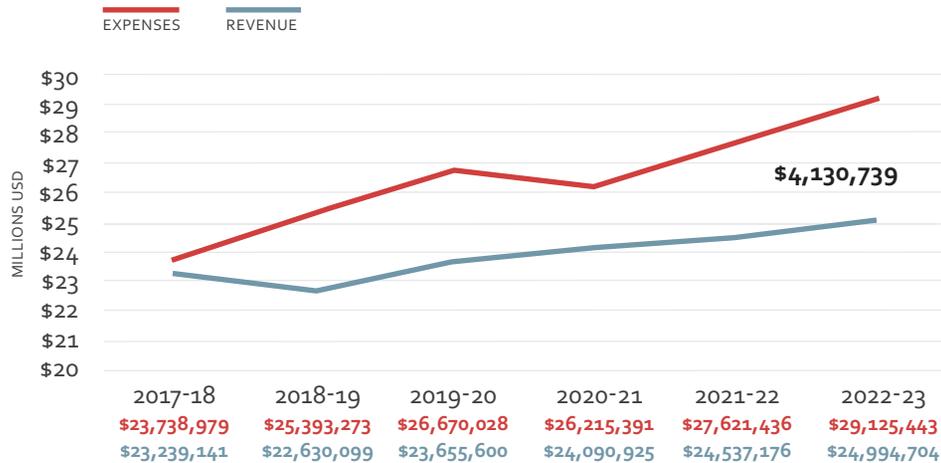
THE WIDENING GAP

This gap is mainly due to flat state and local revenues combined with unregulated charter school costs and the additional PSERS contributions.

If nothing changes this gap will continue to increase at a dramatic rate.

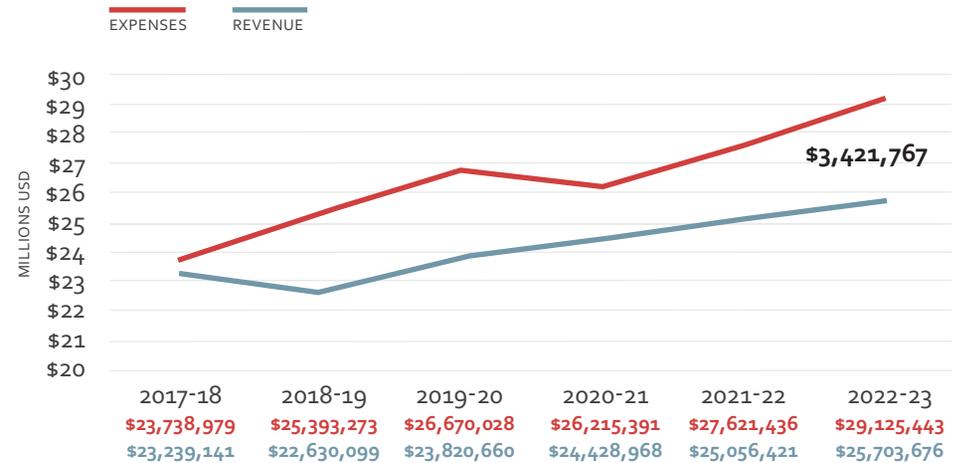
The Act 1 Index defines the maximum percentage by which school districts can increase their tax rates without seeking voter or PDE approval to exceed that percentage under certain exceptional circumstances. The index is based on average wages and costs of employees statewide.

REVENUE WITH LIMITED TAX INCREASE



Limited tax increases each year will help but are not sufficient. A 1.6% increase is shown for illustrative purposes.

REVENUE WITH TAXING TO THE INDEX

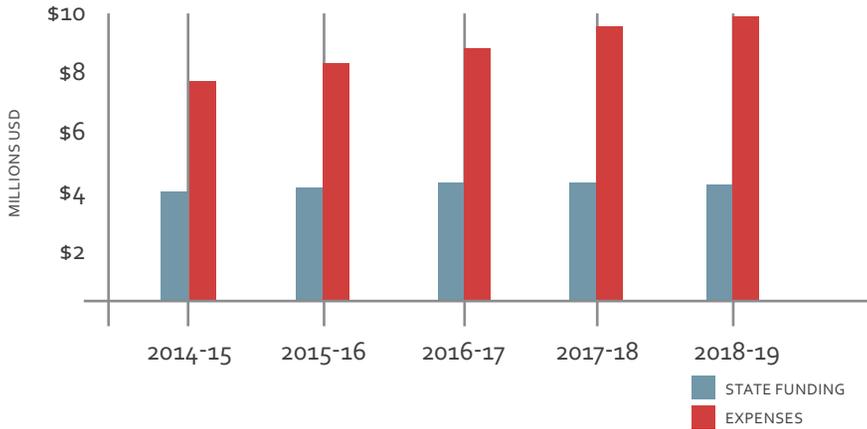


Raising taxes to the index each year will get us a little closer but will not close the gap completely. A 3.2% increase is shown for illustrative purposes.

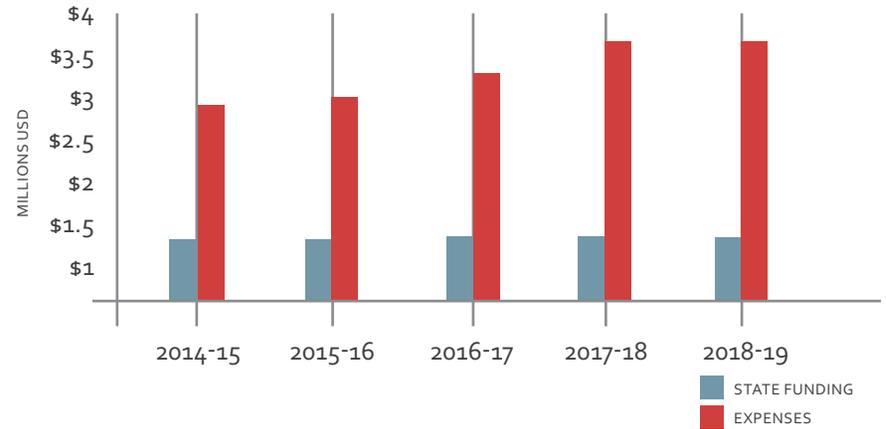
MANDATED COST INCREASES

Mandated cost increases are expenses that the district has no control over. These mandates come from the state and federal government plus negotiated contracts.

BASIC EDUCATION STATE FUNDING VS. EXPENSES INCREASES



SPECIAL EDUCATION STATE FUNDING VS. EXPENSES INCREASES

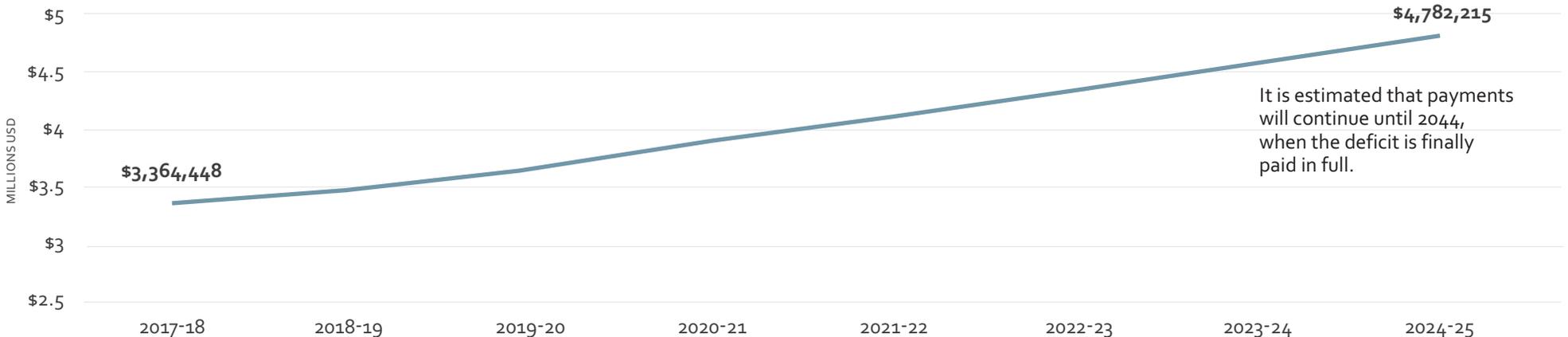


PSERS CONTRIBUTIONS

The Commonwealth Public School Employees Retirement System (PSERS) is currently underfunded by just under **\$50 billion dollars**. This is due to a suspension of contributions during the 1990s followed by two national recessions since Sept. 11, 2001. All public school districts are mandated to pay additional contributions based on the number of employees who qualify for the retirement system. Northgate's net pension liability was \$32,477,931 as of June 30, 2018 and continues to rise. Mandated pension contributions consume 13.68 % of the district's total 2019-20 budget.

Pension reform legislation was enacted in 2017, but it will take approximately 17 years before we see any relief from historically high employer contribution rates.

PSERS PAYMENT PROJECTIONS



FUND BALANCE

2017-18 FINAL
\$10,353,886
 ENDING FUND BALANCE
 40.77% OF BUDGET

ASSIGNED: \$9,767,161
 UNASSIGNED: \$586,725 (2.31%)

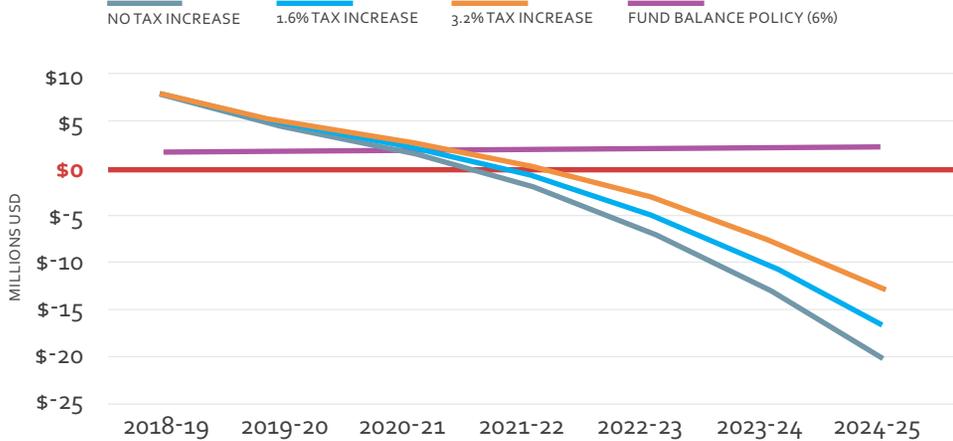
2018-19 BUDGETED
\$7,590,712
 ENDING FUND BALANCE
 28.31% OF BUDGET

ASSIGNED: \$7,088,412
 UNASSIGNED: \$502,300 (1.88%)

2019-20 PROJECTION
\$4,411,224
 ENDING FUND BALANCE
 16.83% OF BUDGET

ASSIGNED: \$3,824,449
 UNASSIGNED: \$586,725 (2.24%)

ENDING FUND BALANCE PROJECTIONS



A DRASTIC DROP

This drop is mainly due to spending down our assigned capital improvement portion of the fund balance as we completed several projects that were long overdue. The district completed a strategic buildings and grounds plan in 2017 which included identifying and prioritizing critical projects including – replacement of the roof and exterior lighting at the Middle/High School building as well as safety and security upgrades at all three buildings.

A secondary and more concerning reason for the drop is an increase in mandated expenses that exceeds our increase in revenues, making it necessary to draw unassigned funds to balance our annual budget.

FUND BALANCE SEGMENTS DEFINED

ASSIGNED: Reflects the school’s intent to use the money for a specific purpose but is not considered restricted or committed. Assigned fund balances can be changed without formal action and do not need to be designated by the board. Examples of items that would be considered assigned include PSERS and OPEB contributions and capital projects. The assigned portion of fund balance must be identified before any of the other categories are determined.

UNASSIGNED: Represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. As dictated by the State of Pennsylvania, the unassigned fund balances can be no more than 8% of the district’s total budget. The PA Association of School Business Officials recommends minimum of 6% of the district’s total budget.

FUND BALANCE SEGMENT BREAKDOWN

\$10,353,886
 2017-18 FUND BALANCE

\$2,763,174 | ASSIGNED for next years deficit
 \$5,507,987 | ASSIGNED for PSERS
 \$1,496,000 | ASSIGNED for capital projects
 \$586,725 | UNASSIGNED

\$7,590,712
 2018-19 FUND BALANCE

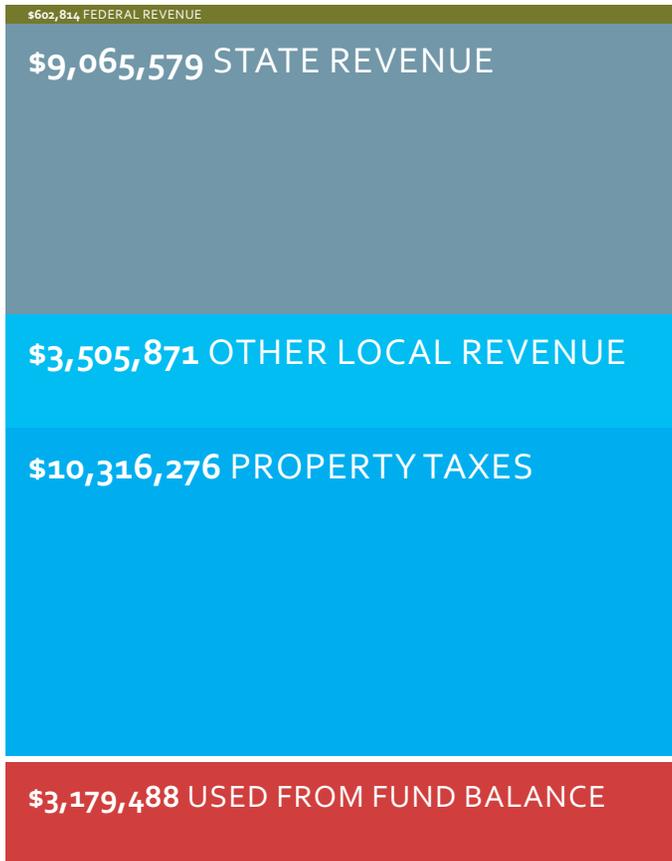
\$3,179,488 | ASSIGNED for next years deficit
 \$2,038,924 | ASSIGNED for PSERS
 \$1,870,000 | ASSIGNED for capital projects
 \$502,300 | UNASSIGNED

\$4,411,224
 2019-20 FUND BALANCE

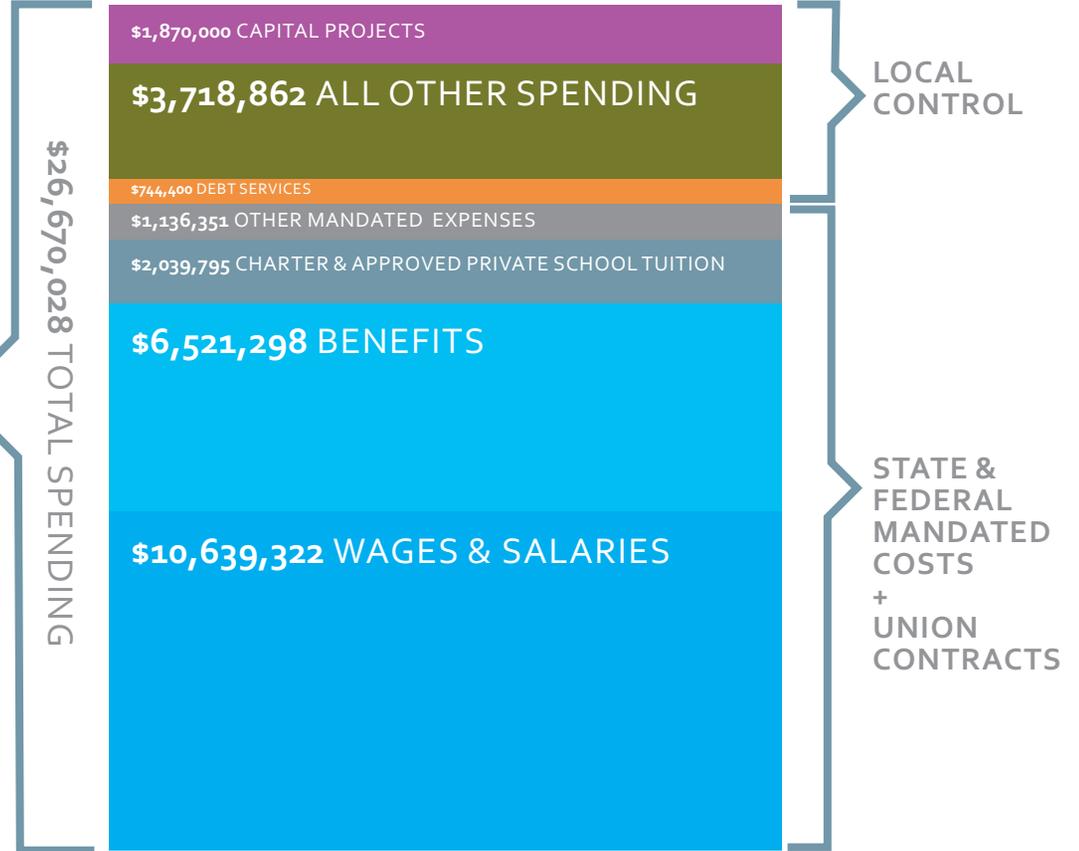
\$2,457,228 | ASSIGNED for next years deficit
 \$1,267,271 | ASSIGNED for PSERS
 \$100,000 | ASSIGNED for capital projects
 \$586,725 | UNASSIGNED

2019-20 BUDGET BREAKDOWN

2019-20 BUDGETED REVENUE



2019-20 BUDGETED EXPENSES



LOCAL REVENUE

Property tax revenue is projected to increase by \$42,276 from last year.

Other local revenue is projected to increase by \$335,776 from last year.

STATE REVENUE

Basic Education Funding is projected to increase by \$52,709 from last year.

Special Education Funding is projected to increase by \$38,457 from last year.

FEDERAL REVENUE

Federal revenue is projected to increase by \$51,313 from last year.

WAGES, SALARIES & BENEFITS

Wages and salaries are projected to increase by \$189,622 from last year.

Benefits are projected to increase by \$27,050 from last year.

CHARTER SCHOOLS

Tuition to charter school and special education placements are projected to increase by \$442,604 from last year.

2019-20 MAJOR INITIATIVES & CHALLENGES

MAJOR INITIATIVES

New Science Curriculum

\$99,855 has been budgeted for new Smithsonian science materials for grades K-8 to replace those previously leased by Asset Inc.

Safety & Security

\$200,000 has been budgeted for the installation of secured entrances at all three buildings.

Facility Upgrades

\$468,500 has been budgeted for Alumni Stadium field repairs.
 \$97,211 has been budgeted for repairs to the Alumni Stadium maintenance garage and press box.
 \$769,00 has been budgeted for Alumni Stadium electrical upgrades, field light poles and new electrical transformer for Bellevue Elementary School.

MAJOR CHALLENGES

Decline in Enrollment

Northgate's decline in enrollment negatively affects its proportionate share of state funding.

Charter School Tuition Costs

Due to an unfair formula used by PDE to calculate charter school tuition rates, Northgate's charter school costs are increasing at an alarming rate that cannot be sustained.

Special Education Costs

The cost of educating special education students has increased dramatically in recent years as the number of students with special needs has increased. In several cases the district has had to send students with particularly severe needs to outside approved private schools.

NON-MANDATED SPENDING EXAMPLES

School Resource Officer
 \$61,980

High School Musical
 \$6,520

12 Athletic Programs
 \$368,050

These types of value added services only cost a total of \$436,550 and greatly enhance the educational experience the District is able to provide.

The total non-mandated spending is \$2,639,680 or approximately 10% of the total budget.

NORTHGATE ENROLLMENT

1,215

2012-13
 737 | PRIMARY
 588 | SECONDARY

1,202

2013-14
 737 | PRIMARY
 585 | SECONDARY

1,222

2014-15
 732 | PRIMARY
 598 | SECONDARY

1,215

2015-16
 714 | PRIMARY
 580 | SECONDARY

1,177

2016-17
 691 | PRIMARY
 543 | SECONDARY

1,110

2017-18
 644 | PRIMARY
 495 | SECONDARY
73 Charter School Students

1,023

2018-19
 638 | PRIMARY
 484 | SECONDARY
63 Charter School Students

BUDGETING PROCESS TIMELINE

- October** | Business Manager begins developing budget based on existing contracts, collective bargaining agreements, historical expenses, etc.

- January** | School board adopts resolution stating that district will not raise its tax rate by more than the Act 1 index.
 - | Business Manager distributes budget requisition forms and instructions to administrators and department managers.
 - | Administrators and Department Managers meet with staff members reporting to them to review their requests and determine which should be approved

- February** | Pennsylvania Governor's preliminary budget is released
 - | Business Manager attends PASBO seminars to learn about implications of state budget proposal for district and projected state subsidies and legal developments.
 - | Business Manager checks estimated requisition forms for accuracy, enters requests into the budget under appropriate expense accounts and adjusts budget amounts if necessary.

- March** | Business Manager meets with Superintendent, Administrators, and Department managers to discuss their budget requests, summary reports, and questions that have arisen.
 - | Business Manager begins working with the Finance Committee on the Budget Workshop presentation.

- April 29** | Budget Workshop - Admin Center - 6 pm

- May 13** | Business Manager meets with Finance Committee to discuss the proposed final budget.
- May 13** | Board of School Directors adopts the Proposed Final Budget
- May 14** | Public Inspection Deadline of Proposed Final Budget
- June 17** | Board of School Directors adopts the Final Budget
- June 18** | Business Manager submits final budget to PDE