



2021-22 Budget Presentation

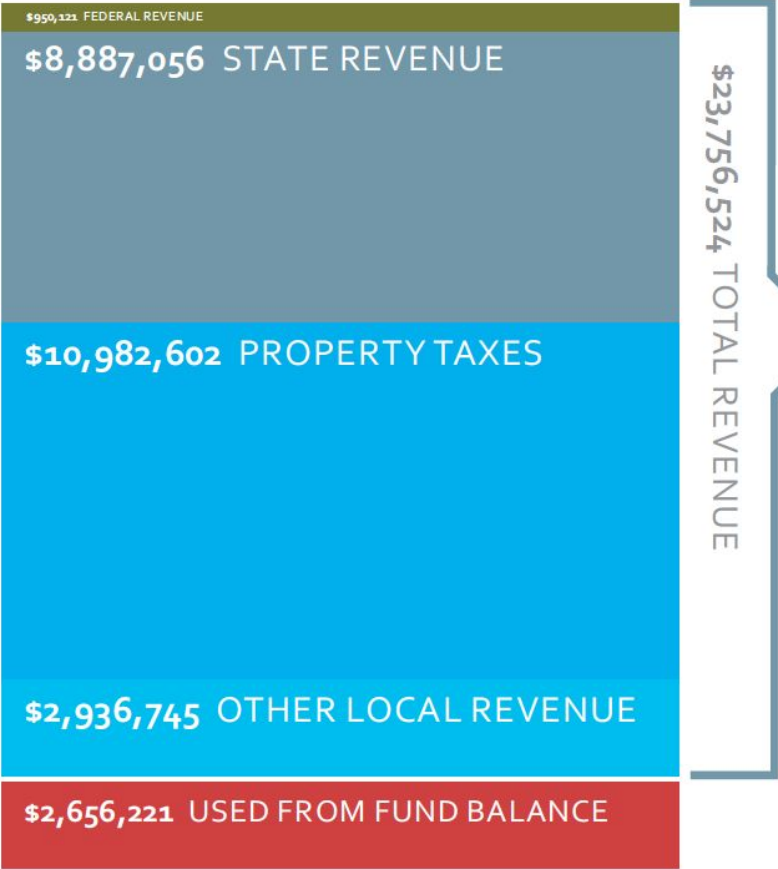
Northgate School District
May 3, 2021

NORTHGATESD.NET

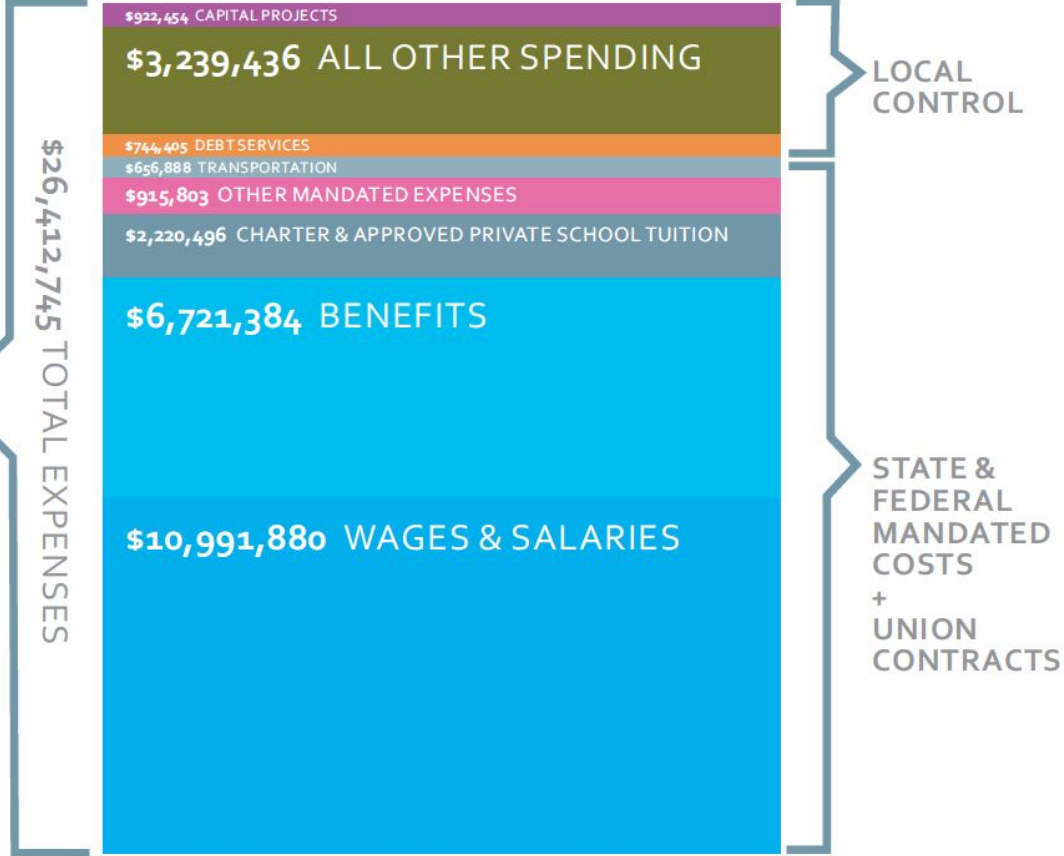
The numbers used in this report are based on information available as of 4/23/21 and the budget will continue to be refined as new information becomes available until final passage in June.

2020-21 BUDGET REVIEW

2020-21 BUDGET REVENUE



2020-21 BUDGET EXPENSES



SHRINKING THE DEFICIT

The deficit has continued to shrink, and we are now at a projected operating loss of -\$1,161,830 in comparison to last month's projection of -\$1,248,518. Lower spending in the areas of transportation, custodial and maintenance operations, and student activities functions has contributed to this. In addition, real estate tax collections have been higher than projected, and there has only been a small decline in income tax revenue as wages in our area have held steadier than expected.

The borrowing planned for June should actually lead to an overall surplus of about \$1 million for the 2020-21 year.

LIMITED TAX INCREASES

Northgate has raised its tax rate by only 1.79 mills since 2014, or 1.1 % per year. This is less than 28 out of 42 districts in Allegheny County.

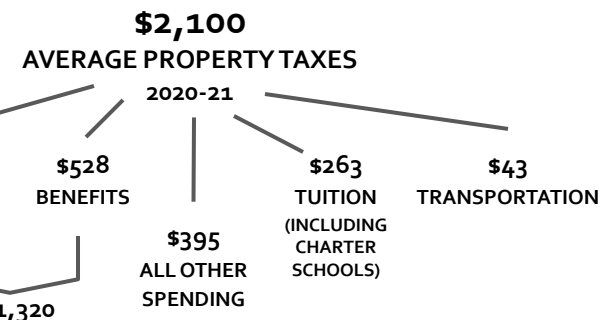
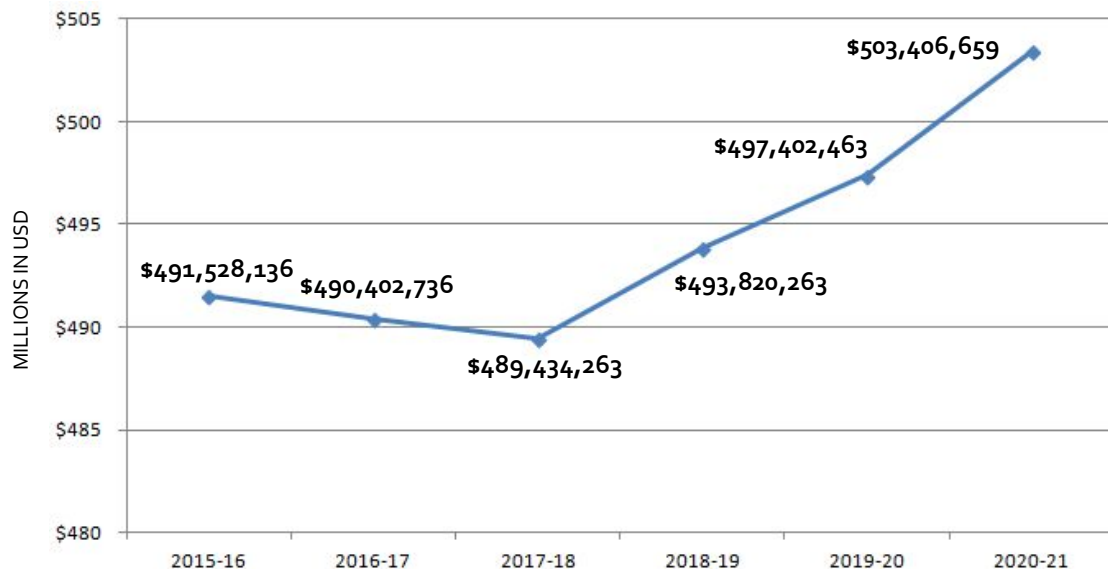
LOCAL PROPERTY VALUES

25.5
MILLAGE RATE
2020-21
(Same as 2019-20)

\$466,708
COLLECTIBLE
VALUE OF 1 MILL
2020-21

\$93,700
MEDIAN HOME VALUE
Spring 2020

HISTORICAL ASSESSED PROPERTY VALUES IN AVALON & BELLEVUE



A POSITIVE SIGN

Property values declined steadily from 2015-16 to 2017-18 as property owners filed appeals of their assessments established in the 2013 Allegheny County reassessment process. This not only led to a decline in the tax base and associated revenues, but it also required the district to issue many refunds.

In more recent years, property values have been increasing, which is a positive sign for the district and the community at large. Increasing assessments, a higher tax rate, and a healthy collection rate led to an overall increase in real estate tax revenues of 5 % in 2019-20, which helps reduce our operating deficit.

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.

ADMIN CUTBACKS

Through retirements, the district will eliminate one administrative positions in 2021-22, saving several hundred thousand dollars in salaries and benefits.

AUDITING SERVICE

Northgate switched auditing firms in 2020 that provided enhanced services while charging \$11,124 less in fees than the prior auditor.

COOPERATIVE SPORTS AGREEMENT

The district was able to reduce its share of cooperative sports costs by \$5,000 by re-negotiating its agreement with Avonworth School District.

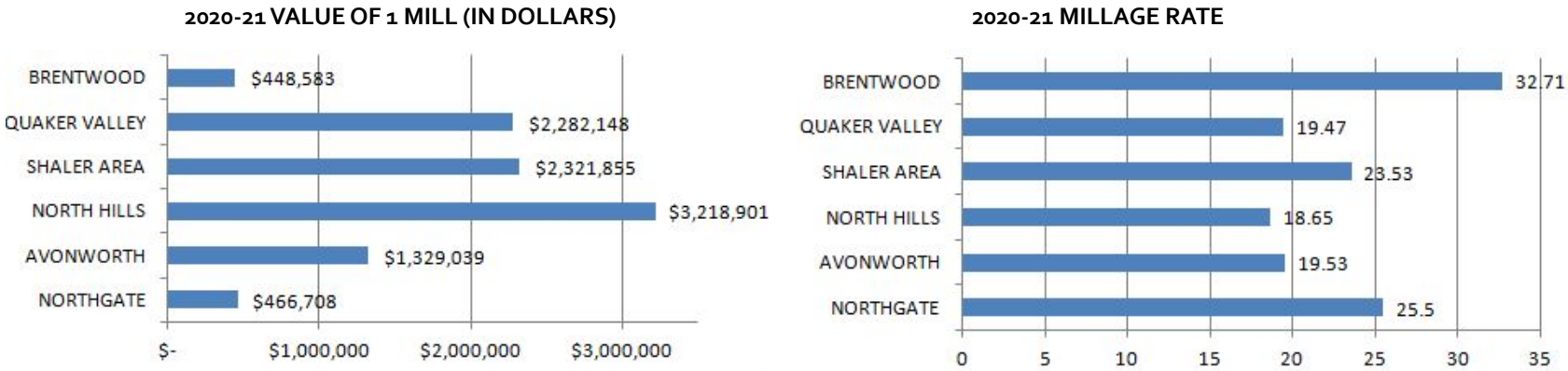
GRANT FUNDING

The district expects to receive unprecedented levels of grant funding over the next several years, including \$1.4 million in ESSER II funds and \$2.9 million in ESSER III funds. In addition, next year federal Title grants will generate \$467,657, and IDEA, Pre K, and Ready to learn grants will bring in an additional \$617,353.

The district has also been awarded numerous mini grants such as a student entrepreneurship grant, a grant to help students with dyslexia, a Highmark grant to promote student health, and innovation and makerspace grants to promote creativity and design skills.

NEIGHBORING DISTRICTS COMPARISON

Comparing millage rates alone can be deceiving, as they do not take into consideration the differences in property values.



The Northgate School District has a higher millage rate than many of our neighboring districts, but when compared to other districts, it's clear that our mill value is one of the lowest in Allegheny County.

Only 7 other districts in allegheny county have a lower per mill value.
Brentwood, Clairton, Cornell, Duquesne City, South Allegheny, Sto-Rox, and Wilkinsburg.

11 out of 42 other districts have higher millage rates | 9 out of 42 districts are between 24 and 26 mils.
Our millage rate is approximately equal to or lower than 17 districts in Allegheny County.

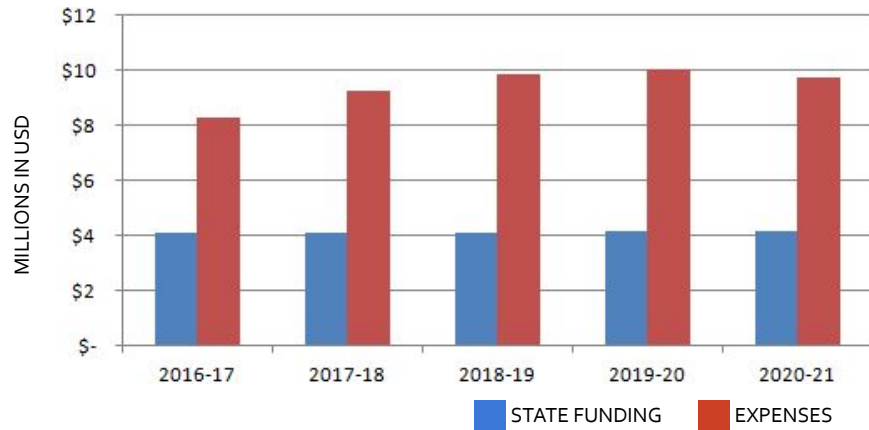
ECONOMICALLY DISADVANTAGED RATES PERCENTAGES COMPARISON

53.7% NORTHGATE	53.0% BRENTWOOD	17.5% QUAKER VALLEY	36.1% SHALER AREA	25.7% NORTH HILLS	14.1% AVONWORTH
1,044 ENROLLMENT 23.9% SPECIAL ED	1,215 ENROLLMENT 15.5% SPECIAL ED	1,924 ENROLLMENT 13.6% SPECIAL ED	4,089 ENROLLMENT 17.7% SPECIAL ED	4,501 ENROLLMENT 15.4% SPECIAL ED	1,863 ENROLLMENT 14.5% SPECIAL ED
25.5 MILLAGE RATE = \$9,893 REAL ESTATE TAX COLLECTED PER STUDENT	32.71 MILLAGE RATE = \$8,787 REAL ESTATE TAX COLLECTED PER STUDENT	19.47 MILLAGE RATE = \$16,946 REAL ESTATE TAX COLLECTED PER STUDENT	23.53 MILLAGE RATE = \$11,071 REAL ESTATE TAX COLLECTED PER STUDENT	18.65 MILLAGE RATE = \$11,028 REAL ESTATE TAX COLLECTED PER STUDENT	19.53 MILLAGE RATE = \$11,387 REAL ESTATE TAX COLLECTED PER STUDENT

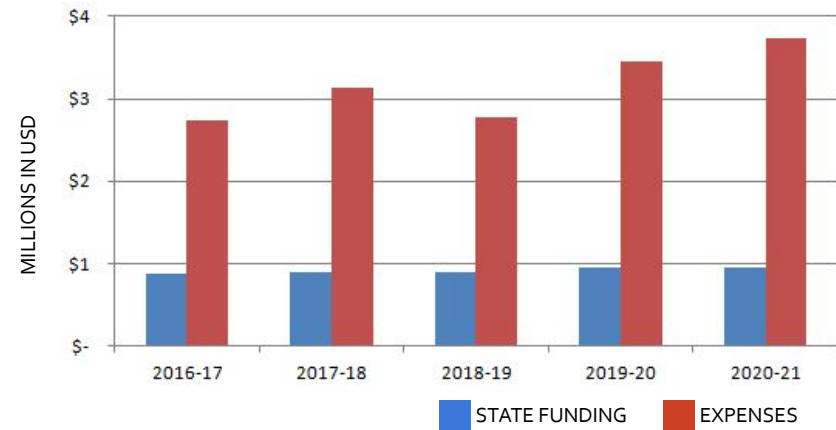
MANDATED COST INCREASES

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



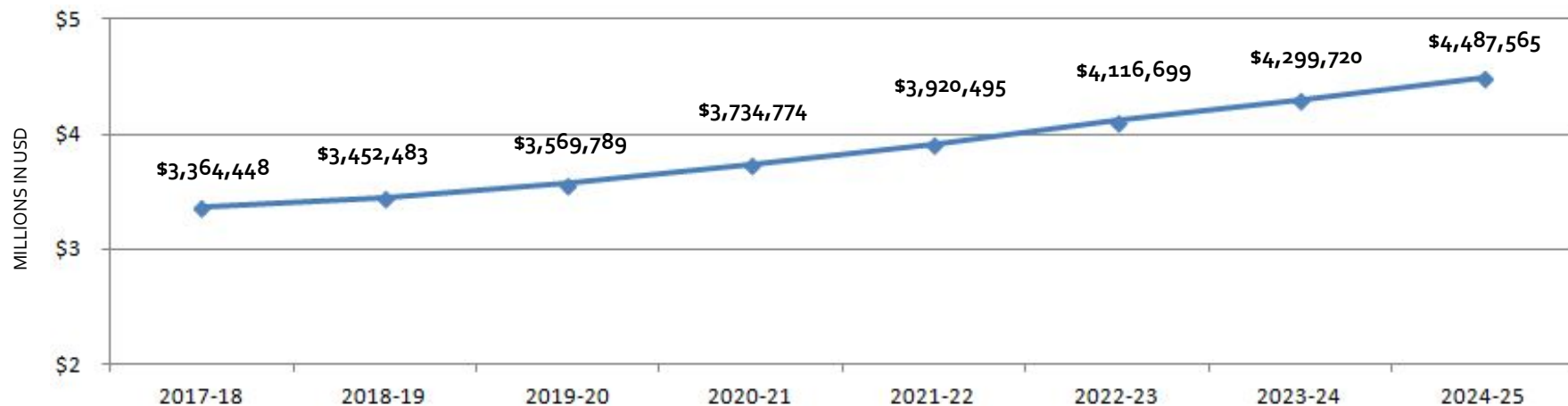
SPECIAL EDUCATION STATE FUNDING VS. EXPENSES INCREASES



COST CONTROL & REVENUE GENERATING ACTIONS

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 \$34,572,000 as of June 30, 2020 and continues to rise. Mandated pension contributions consume 14.9 % of the district's total 2021-22 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



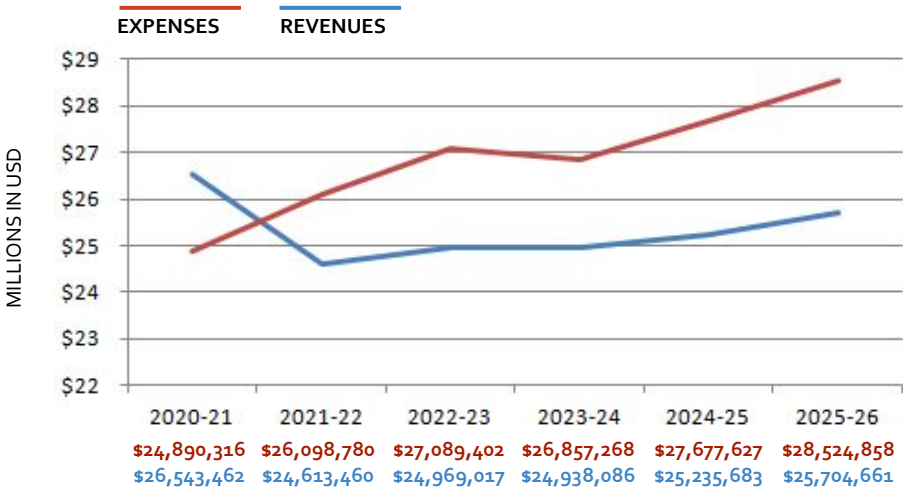
FINANCIAL PROJECTIONS - OPERATIONAL COSTS ONLY

2.90%
REVENUE INCREASE
PROJECTION
FROM LOCAL SOURCES
OVER THE NEXT 5 YEARS

8.90%
REVENUE INCREASE
PROJECTION
FROM STATE SOURCES
OVER THE NEXT 5 YEARS

11.62%
EXPENSE INCREASE
PROJECTION
FROM STATE & FEDERAL MANDATES
+ NEGOTIATED CONTRACTS
OVER THE NEXT 5 YEARS

REVENUE WITH NO TAX INCREASE



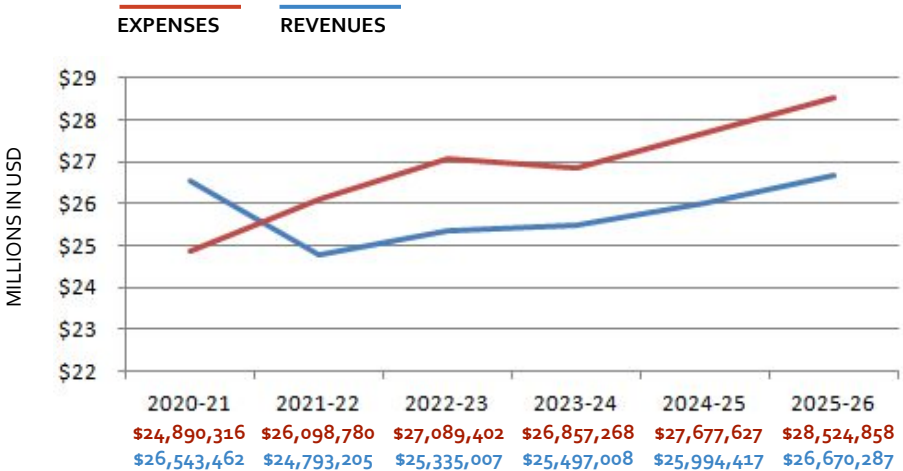
CLOSING THE OPERATIONAL COST GAP

The district has implemented a variety careful spending controls in an attempt to close the gap between revenues and expenses. A large portion of expenses, including charter school tuition*, special education, and PSERS costs are of great concern. If nothing changes gap will continue to increase at a dramatic rate and the district's fund balance will quickly be depleted.

*2019-20 Charter School Costs \$1,656,875

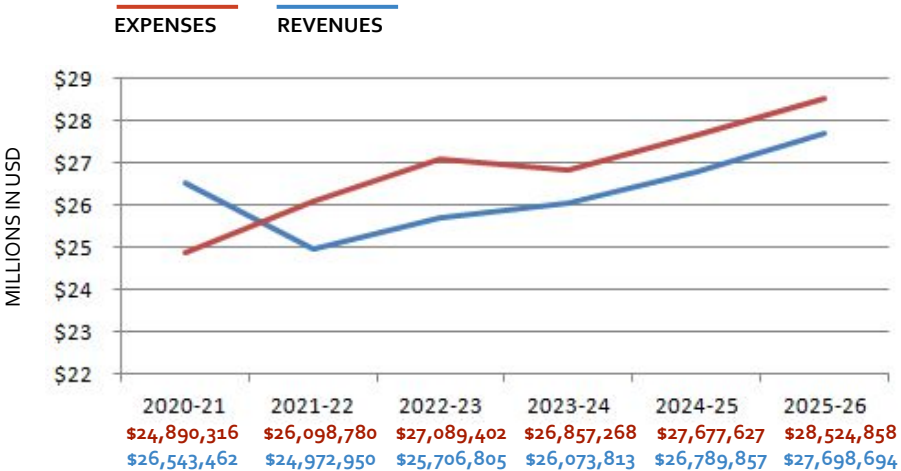
The Act 1 Index defines the maximum percentage by which school districts can increase their tax rates without seeking voter or PDE approval to exceed that percentage under certain exceptional circumstances. The index is based on average wages and costs of employees statewide.

REVENUE WITH LIMITED TAX INCREASE



A limited tax increase is helpful but not sufficient.
A 1.6 % increase per year is shown for illustrative purposes.

REVENUE WITH TAXING TO THE INDEX



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

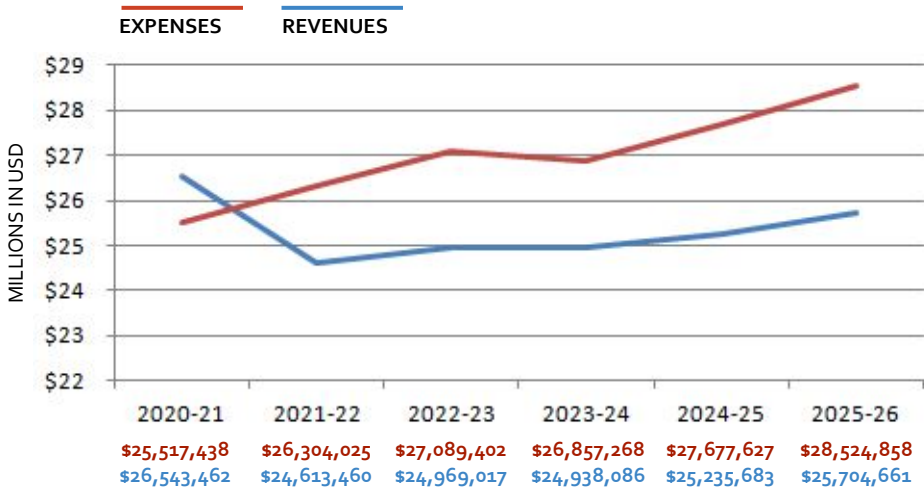
FINANCIAL PROJECTIONS - OPERATIONAL & CAPITAL IMPROVEMENTS COSTS

2.90%
**REVENUE INCREASE
PROJECTION**
FROM LOCAL SOURCES
OVER THE NEXT 5 YEARS

8.90%
**REVENUE INCREASE
PROJECTION**
FROM STATE SOURCES
OVER THE NEXT 5 YEARS

11.62%
**EXPENSE INCREASE
PROJECTION**
FROM STATE & FEDERAL MANDATES
+ NEGOTIATED CONTRACTS
OVER THE NEXT 5 YEARS

REVENUE WITH NO TAX INCREASE



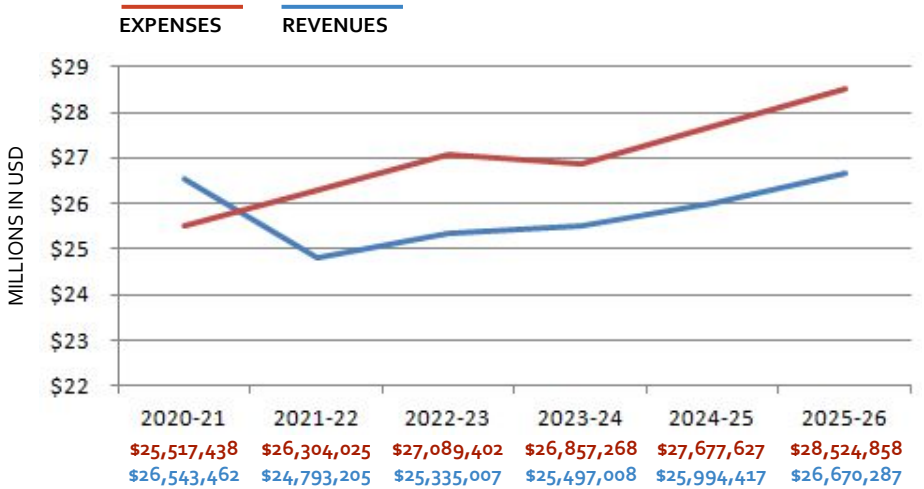
A STRATEGIC SHIFT

In June, the district will borrow approximately \$2.2 million to reimburse the cost of prior capital projects. This represents a change in strategy in that fund balance will no longer be used for capital improvements, thereby bringing about greater financial stability.

Total expenses in 2020-21 are projected to be slightly lower than those in 2019-20 as a result of the cutback in operations due to the pandemic. Expenses are also expected to decline in 2023-24 as \$746,492 of CRRSA ESSER II grant expenses from the prior year drop off due to the expiration of the grant in September 2023. ARP ESSER III funds are not factored into the projections.

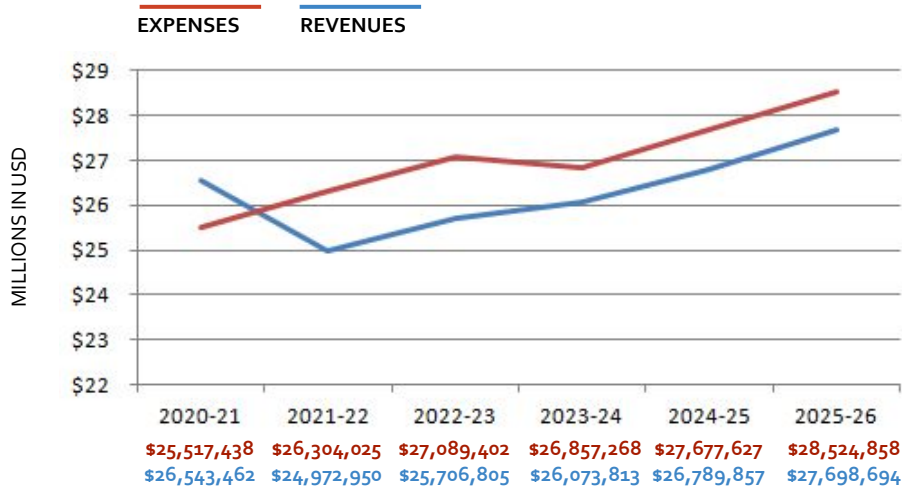
The Act 1 Index defines the maximum percentage by which school districts can increase their tax rates without seeking voter or PDE approval to exceed that percentage under certain exceptional circumstances. The index is based on average wages and costs of employees statewide.

REVENUE WITH LIMITED TAX INCREASE



A limited tax increase is helpful but not sufficient.
A 1.6 % increase per year is shown for illustrative purposes.

REVENUE WITH TAXING TO THE INDEX



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

FUND BALANCE

2019-20 FINAL
\$7,565,797
ENDING FUND BALANCE
28.8% OF BUDGET

ASSIGNED: \$5,607,501
UNASSIGNED: \$1,958,296 (7.47%)

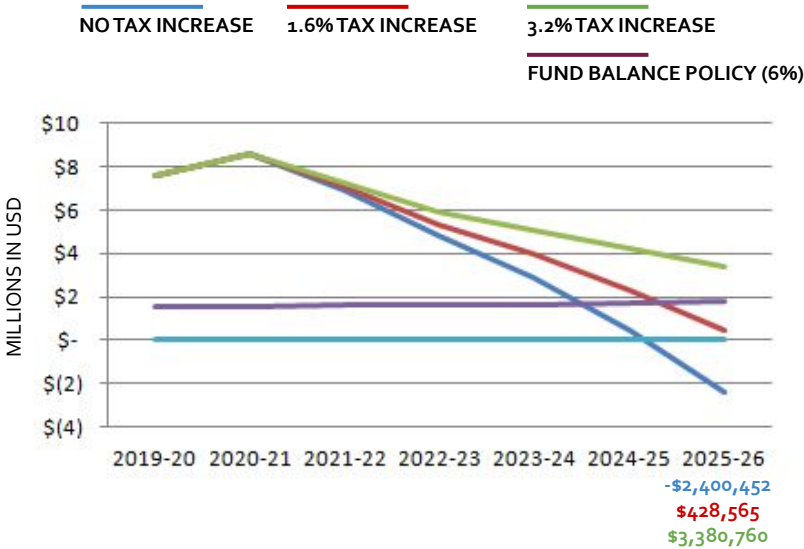
2020-21 BUDGETED
\$8,591,821
ENDING FUND BALANCE
32.66% OF BUDGET

ASSIGNED: \$6,487,499
UNASSIGNED: \$2,104,322 (8%)

2021-22 PROJECTION
\$6,901,256
ENDING FUND BALANCE
25.48% OF BUDGET

ASSIGNED: \$4,734,104
UNASSIGNED: \$2,167,152 (8%)

ENDING FUND BALANCE PROJECTIONS



A DRASTIC DROP

The fund balance is expected to increase in 2020-21, largely due to the planned borrowing of approximately \$2.2 million in June as a reimbursement of prior capital expenses, but after that a significant decline is expected. This is largely due to mandated expenses whose growth exceeds revenue increases.

The district has implemented a variety of careful spending controls in an attempt to avoid depleting its fund balance. In addition to this year’s borrowing, there is a tentative plan to borrow additional funds in the spring of 2022 for capital improvements in the 2022-23 year. All borrowed monies will be recorded and tracked under a separate fund in order to safeguard the general fund balance.

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

\$7,565,797
2019-20 FUND BALANCE

\$2,637,613 | ASSIGNED for next years deficit
\$2,969,888 | ASSIGNED for capital projects
\$1,958,296 | UNASSIGNED

\$8,591,821
2020-21 FUND BALANCE

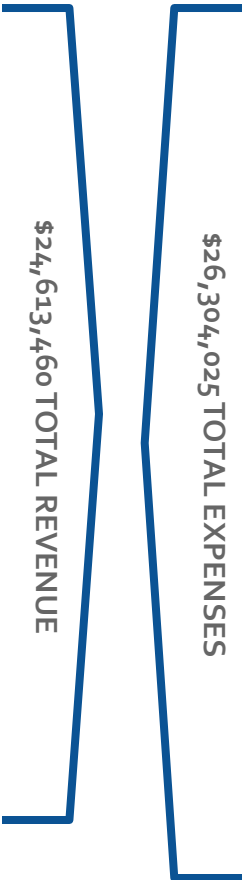
\$6,487,499 | ASSIGNED for 2021-22 through 2024-25 deficit
\$2,104,322 | UNASSIGNED

\$6,901,256
2021-22 FUND BALANCE

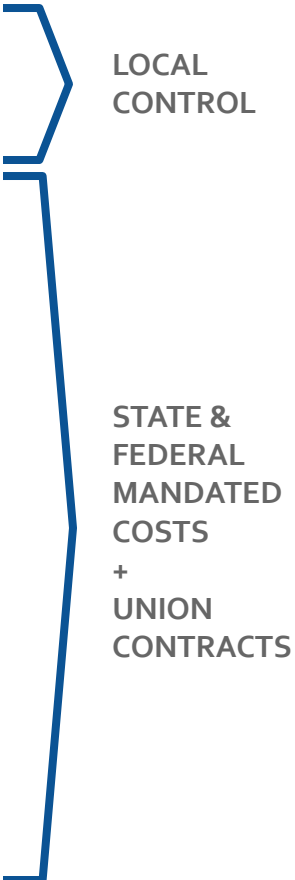
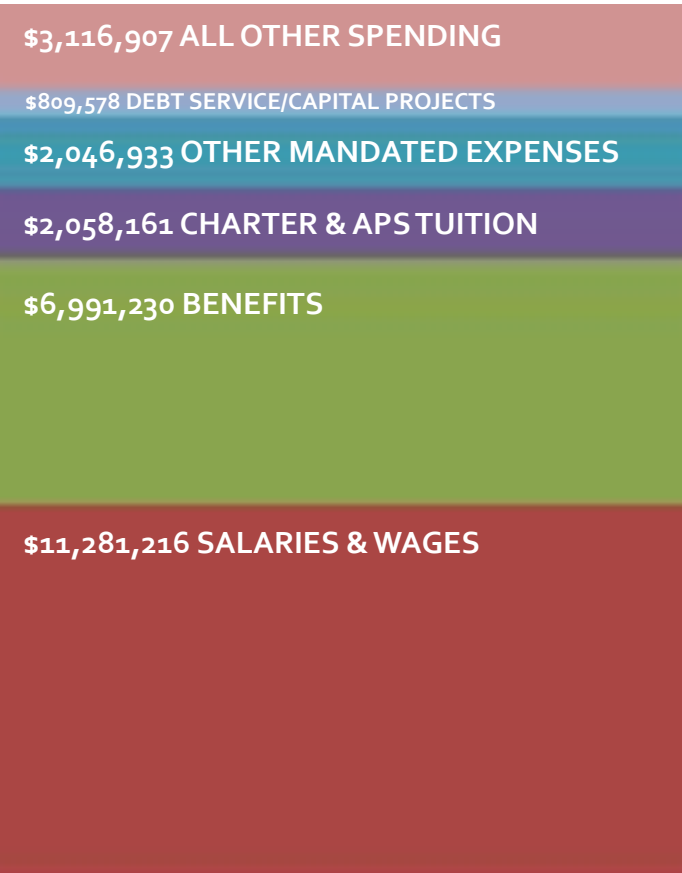
\$4,734,104 | ASSIGNED for 2022-23 through 2024-25 deficit
\$2,167,152 | UNASSIGNED

2021-22 BUDGET BREAKDOWN

2021-22 BUDGET REVENUE



2021-22 BUDGET EXPENSES



LOCAL REVENUE

Property tax revenue is projected to be \$276,349 higher in 2020-21 than it was in 2019-20 due to higher assessments.

Other local revenues are projected to be \$678,005 less than in 2019-20 as a result of lower delinquent real estate tax and earned income tax collections.

STATE REVENUE

Both Basic Education and Special Education funding are projected to remain flat because of the availability of federal stimulus funds to supplant them.

FEDERAL REVENUE

Federal revenue is projected to be \$675,976 higher in 2021-22 than it was in 2019-20, primarily a result of CRRSA ESSER II funds.

WAGES, SALARIES & BENEFITS

Wages and salaries are projected to be \$684,822 higher next year than they were last year, which equates to 3.2 % per year.

Benefits are projected to be \$564,146 higher (4.4% per year.) This is mostly a result of employee raises and increases in the cost of medical insurance.

CHARTER SCHOOLS

Charter school tuition alone is projected to be \$1,236,372 in the upcoming year.

2021-22 MAJOR INITIATIVES & CHALLENGES

MAJOR INITIATIVES

Curriculum

\$746,454 has been budgeted for summer compensatory services, after-school tutoring, the Chill project, and remote learning supplies, all to be paid from CRRSA ESSER II funds.

Technology

The district's transition to remote learning and a 1:1 instructional model will require increased technology spending, including \$22,758 for a cabling upgrade and \$24,682 for a switch project. The total technology budget is \$513,718.

Capital Improvements

\$145,245 has been budgeted for the replacement of the concrete at all three district buildings. \$179,687 will be drawn from the Capital Projects fund as well.

MAJOR CHALLENGES

Stimulus Funding

The district faces an unusual challenge of dramatically expanding and enhancing services that will be paid from pandemic-related grant funds but will only be temporary due to the funding timeline.

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

\$63,275

High School Musical

\$5,615

21 Athletic Programs

13 Varsity + 8 Middle School

\$361,264

These types of value added services only cost a total of \$430,154 and greatly enhance the educational experience the District is able to provide.

The total non-mandated spending is \$3,926,485 or approximately 14.9 % of the total budget.

NORTHGATE ENROLLMENT

1,330

2014-15

732 | ELEMENTARY
598 | SECONDARY

1,294

2015-16

714 | ELEMENTARY
580 | SECONDARY

1,234

2016-17

691 | ELEMENTARY
543 | SECONDARY

1,139

2017-18

644 | ELEMENTARY
495 | SECONDARY

1,122

2018-19

638 | ELEMENTARY
484 | SECONDARY

60 Charter School Students

1,049

2019-20

619 | ELEMENTARY
430 | SECONDARY

75 Charter School Students

1,044

2020-21

589 | ELEMENTARY
455 | SECONDARY

70 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.
May 3		Budget Workshop - Zoom Meeting - 6:30 pm
May 10		Board of School Directors adopts Proposed Final Budget
May 11		Proposed Final Budget made available for public inspection
June 21		Board of School Directors adopts the Final Budget
June 22		Business Manager submits Final Budget to PDE

BUILDING BREAKDOWNS

ELEMENTARY BUILDINGS
\$9,232,002
ELEMENTARY
CODED EXPENSES
\$15,685
COST PER
ELEMENTARY STUDENT

Avalon Elementary Employee Counts

Counselor	1
Crossing Guard	2
Custodian	2.5
Librarian	0.5
Lunch Aide	3
Maintenance	1
Nurse	0.5
Psychologist	0.3
Secretary	1
TA	8
Teacher	23.3

Bellevue Elementary Employee Counts

Counselor	1
Crossing Guard	0
Custodian	4
Librarian	0.5
Lunch Aide	3
Maintenance	1
Nurse	0.5
Psychologist	0.3
Secretary	1
TA	8
Teacher	25.6

12.04 | 1
ELEMENTARY
STUDENT-TEACHER RATIO

SECONDARY BUILDING
\$8,888,656
SECONDARY
CODED EXPENSES
\$19,518
COST PER
SECONDARY STUDENT

Secondary Building Employee Counts

Counselor	2
Crossing guard	1
Custodian	5.5
Librarian	1
Maintenance	2
Nurse	1
Psychologist	0.3
Secretary	4
TA	12
Teacher	37.1

12.28 | 1
SECONDARY
STUDENT-TEACHER RATIO

ESSER FUNDS

The budget estimates that Northgate will receive \$631,757 of CRRSA ESSER II funds in 2021-22. The total grant is \$1,421,454, and the remaining amount is expected to be received in 2022-23 and possibly the first few months of 2023-24. These funds will be used to pay most of the following expenses:

Summer compensatory services salaries & benefits....\$8,031
Contracted SCS for special needs students.....\$214,070
After-school tutoring salaries & benefits.....\$76,969
AHN Chill Project.....\$200,000
Chromebooks.....\$126,935
Wireless infrastructure update.....\$24,682
Structured cabling.....\$22,758
EdGenuity online curriculum.....\$29,449
Transportation for support services.....\$36,000

The district also expects to receive \$2,874,868 of ARP ESSER III funds from 2021-22 through 2023-24. This grant is not factored into the 2021-22 budget since the grant budget has not been finalized yet.