

# Pittsford Central School District

**Budget Work Session #1**  
**February 11, 2013**



# Agenda

- ✓ Budget Development Process – How is it different today?
- ✓ Property Tax Cap Tutorial
- ✓ Property Tax Cap – Pittsford (based on latest information)
- ✓ Board Decisions and Impact
- ✓ 2013-2014 Budget Challenges
- ✓ Status Quo Budget
- ✓ What's Next?



# What has changed?

- How is budget development different today?
  - What are the voters voting on?
    - **Before** – the entire spending plan (budget) total \$ amount
    - **Today** – the Tax Levy
      - At or below the cap simple majority (50% +1)
      - Above the cap requires supermajority (60%)
  - What is a Tax Levy?
    - **Before** – the total budget less all non-tax forms of revenue = Tax Levy (what is needed from community)
    - **Today** – There are three different types of Tax Levy numbers (defined on slide 5)

# More Changes?

## ■ What if the budget fails?

### Contingent Budget

- **Before** – the budget was allowed to increase by CPI x 120% plus or minus certain exclusions. In recent years often the Contingent Cap was similar to or even higher than the proposed budget.
- **Today** – There is no cap on the budget, the cap remains on the Levy and it **cannot be any greater than the previous year's Tax Levy.**
  - For most schools losing State Aid and increasing pension costs would result in a budget to budget **DECREASE.**



# TAX LEVY – from One to Three

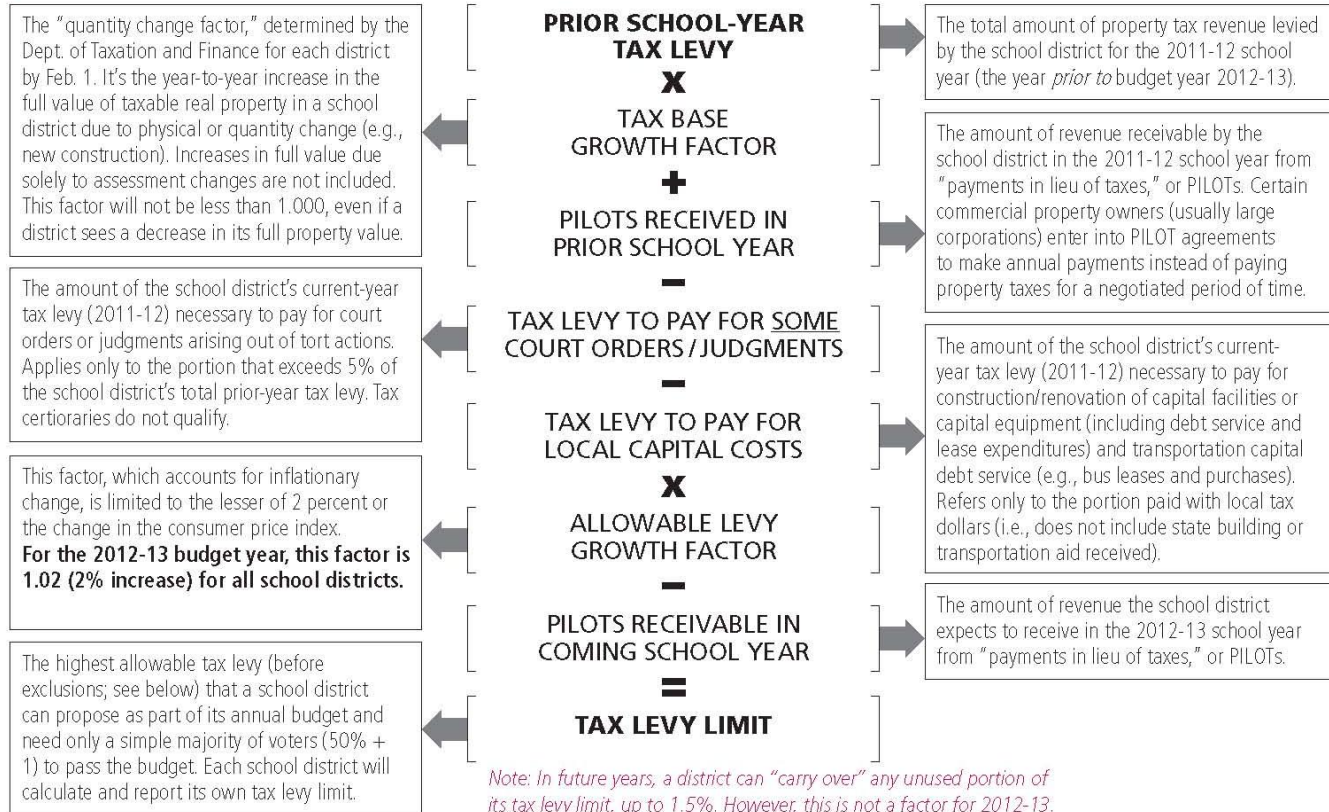
- With all the talk of New York’s “2 percent tax cap”, it may come as a surprise to learn that each school district in the state will present **three separate tax levy numbers** as part of their compliance with the legislation
  - Chances are none of the three tax levy numbers will be exactly 2 percent
  - Because the 2 percent is just one part of a complex formula that schools must use to calculate two of their tax levy numbers:
    - Tax Levy Limit
    - Maximum Allowable Tax Levy
1. **Tax Levy Limit** - a formula that essentially tells how much community support a District may obtain from its proposed budget
    - The highest allowable tax levy (before exclusions) that a district can propose and require a **simple majority** of voters (50 percent plus 1) to pass the budget
    - If a district proposes a tax levy beyond the Tax Levy Limit (before exclusions) it will need **supermajority** approval of voters (60 percent) to pass the budget
  2. **Maximum Allowable Tax Levy** is the Tax Levy Limit PLUS certain exclusions. Taxes levied to fund the following expenses are excluded from the limit:
    - Voter approved Capital Expenditures
    - Increases beyond two percentage points in Employee and/or Teacher Retirement System costs (mandated by NYS)
    - Exclusions are added to the Tax Levy Limit and are not subject to or trigger the 60% supermajority
  3. **Proposed Tax Levy** - the levy called for by the district to support the proposed budget
    - The total amount of money to be raised by the local community after factoring all other revenues

# Is the Property Tax Cap Complex?

## New York's Tax Levy Limit Formula: *How does it add up?*

*Although often referred to as a "2 percent tax cap," New York's new tax levy "cap" law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual "tax levy limit." That limit then determines what level of voter support is required for budget approval.*

### THE BASE FORMULA





# Is the Property Tax Cap Complex?

## EXCLUSIONS TO BE ADDED

*The law excludes certain portions of a school district's tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.*

+

### TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS

The amount of the school district's coming-year tax levy (2012-13) necessary to pay for court orders or judgments arising out of tort actions. Only the amount that exceeds 5% of the school district's prior-year total tax levy can be excluded from the tax levy limit. Tax certioraries cannot be excluded.

+

### TAX LEVY TO PAY FOR SOME PENSION CONTRIBUTION COSTS

Applies only when the employer contribution rates set by the statewide pension systems (TRS and ERS) increase by more than 2 percentage points from one year to the next. Even with this exclusion, most—if not all—pension costs must be funded within a school district's tax levy limit.

+

### TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS

The amount of the school district's coming-year tax levy (2012-13) necessary to pay for construction/renovation of capital facilities or equipment (including debt service and lease expenditures) and transportation capital debt service. This exclusion refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).

=

### MAXIMUM ALLOWABLE TAX LEVY

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% +1) is required.



This publication was developed cooperatively by the Capital Region BOCES Communications Service and Questar III's State Aid Planning and Communication Services. For more information on New York's property tax levy cap, visit [www.capitalregionboces.org/taxlevycap](http://www.capitalregionboces.org/taxlevycap) and <http://sap.questar.org/taxlevycap.php>. Published 1/2012.



# How does the formula work for Pittsford?

Prior Year Levy	\$ 87,709,370	2012-13 Actual
	x	
Times: Tax Base Growth Factor	1.0052	From Comptroller expansion & development
	+	
Add: Prior Year PILOTs	\$ 471,298	2012-13 Actual
	-	
Less: Prior Year Capital Levy	<u>\$ (2,835,944)</u>	Local Portion (Debt Service Less Bldg Aid)
	=	
Equals: Prior Year Adj Levy	\$ 85,800,813	Adjusted to Base for Growth
	x	
Times: Allowable Growth Factor	2.00%	lesser of CPI or 2%
	-	
Less: Estimated New Year PILOTs	\$ (380,000)	Est from Assessors - May
	+	
Add: Prior Year Carryover	\$ -	If not all cap used (not eligible)
	=	
Equals: TAX LEVY LIMIT	\$ 87,136,829	\$ (572,541) -0.65%



# How does the formula work for Pittsford?

(continued)

<b>Equals: TAX LEVY LIMIT</b>	<b>\$ 87,136,829</b>	<b>\$ (572,541)</b>	<b>-0.65%</b>
	+	To be filed with Comptroller March 1	
<b>Plus: <u>EXCLUSIONS</u></b>			
Court Orders & Judgments	\$ -		
New Year Capital Levy	\$ 2,894,950	Local Portion (Debt Less Bldg Aid) already voter approved	
Pension Growth > 2 pts	<u>\$ 947,257</u>	Employee & Teacher Retire System mandated payments	
<b>Add: Total EXCLUSIONS</b>	<b><u>\$ 3,842,207</u></b>		
	=		
<b>Maximum Allowable Tax Levy</b>	<b>\$ 90,979,036</b>	<b>\$ 3,269,666</b>	<b>3.73%</b>
		Maximum for simple majority vote	
		Greater would require 60% approval	



# Impact of Decisions on the Future:

(Using current actual as an example)

- Last year the Tax Cap was 3.43%
- Actual Tax Levy increase was 3.22%
- Actual Levy collected below the cap to be carried forward to next year \$178,000
  - New law makes us ineligible to carry forward unused Cap to 2013-14 Levy (LOST revenue)

## Projecting Future Property Tax Levy Caps:

2012-2013	3.42%	3.22% (actual)
2013-2014	3.73%	
2014-2015	2.48%	
2015-2016	2.36%	
2016-2017	2.24%	

Assumes:

- Tax base growth constant
- Pension stabilizes
- CPI not lower than 2%

Establishing a Levy below the Cap has a long-term compound adverse impact



# Long-Term Impact of Being Below the Tax Cap

- Using last year's actual events and projecting the next three years:
  - The impact of our decision three years from now is \$945,000 less support for our budget

## *Impact of last year Decision to be BELOW Tax Cap*

Fiscal Year	Cap	Proposed	Levy at Cap	Proposed Levy	Levy Annual Difference	Accumulated Revenue Loss
2012-13	3.43%	3.22%	87,785,351	87,607,115	(178,236)	<b>(178,236)</b>
2013-14	3.73%	3.73%	91,059,745	90,874,861	(184,884)	<b>(363,120)</b>
2014-15	2.48%	2.48%	93,318,026	93,128,557	(189,469)	<b>(552,589)</b>
2015-16	2.36%	2.36%	95,520,332	95,326,391	(193,941)	<b>(746,529)</b>
2016-17	2.24%	2.24%	97,659,987	97,461,702	(198,285)	<b>(944,814)</b>

# Long-Term Impact of Being Below the Tax Cap

- Using last year's actual events and projecting the next three years and hypothetical example of keeping the 2013-14 Levy increase below 3%:
  - The long-term impact would be the need to reduce the 2016-17 budget programs by almost \$3.7 million

## ***Impact Example if again this year be BELOW Cap***

Fiscal Year	Cap	Proposed	Levy at Cap	Proposed Levy	Levy Annual Difference	Accumulated Revenue Loss
2012-13	3.43%	3.22%	87,785,351	87,607,115	(178,236)	(178,236)
2013-14	3.73%	2.98%	91,059,745	90,217,807	(841,937)	(1,020,173)
2014-15	2.48%	2.48%	93,318,026	92,455,209	(862,817)	(1,882,990)
2015-16	2.36%	2.36%	95,520,332	94,637,152	(883,180)	(2,766,170)
2016-17	2.24%	2.24%	97,659,987	96,757,024	(902,963)	(3,669,133)

# Challenges for 2013-2014 Budget

- Property Tax Cap Nuances ✓
- Increased Special Education / BOCES costs
- Governor's Budget Proposal reduces State Aid to the District by 2% or \$365,000
- Significant Employer Contribution Rate increases to both Retirement Systems
  - Governed by law, rates established annually of what percentage of every dollar paid to employee is required to go to the related pension system
    - Employee Retirement System Rate increased from 18.9% to 20.9% of payroll
      - Represents an almost 11% or \$248,000 increase in cost
    - Teacher's Retirement System Rate increased from 11.8% to 16.2%
      - Represents an almost 40% or \$2 million increase in cost



# Retirement Cost History for Average Employee

**Employer Contribution to Retirement System Trend - Includes Estimated Annual Salary Increases & Actual ERS/TRS Employer Contribution Rates**

In 2001 for the average \$50,000 salary teacher the District paid \$215 in retirement. For 2014 it is projected the District will pay \$12,341 for the same teacher.

Axis Title



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ERS Ave Employee Cost	\$75	\$187	\$333	\$1,346	\$3,899	\$3,563	\$3,398	\$3,187	\$2,943	\$2,639	\$4,172	\$5,751	\$6,869	\$7,801
TRS Ave Employee Cost	\$215	\$186	\$192	\$1,385	\$3,193	\$4,665	\$5,195	\$5,442	\$4,908	\$4,109	\$5,906	\$7,840	\$8,606	\$12,341



# Status Quo Budget

- The Status Quo or “rollover budget” assumes:
  - Enrollment stable
  - Staffing same as current levels
  - Programs & Services offered at current levels
  - Costs converted to next year dollars
    - Collective Bargaining Agreements
    - BOCES unit charge estimates
    - Fuel and Utilities
    - Market indicators



# Status Quo Budget

Object of Expense	2012-2013 Adopted	2013-2014 Status Quo	Dollar Change	Percent Change
Salaries	55,778,302	56,986,330	1,208,028	2.17%
Benefits	30,678,340	33,388,242	2,709,902	8.83%
Equipment	401,790	395,961	-5,829	-1.45%
Contractual & Tuition	6,767,717	6,640,221	-127,496	-1.88%
BOCES	8,010,675	8,093,349	82,674	1.03%
Supplies & Aided Matls	2,770,892	2,870,049	99,157	3.58%
Debt Service & Transfers	8,738,660	8,664,435	-74,225	-0.85%
<b>Total Budget</b>	<b>113,146,376</b>	<b>117,038,587</b>	<b>3,892,211</b>	<b>3.44%</b>

- A. Would result in a Tax Levy increase of 4.12%
- B. To remain within the Property Tax Cap of 3.73%, \$346,000 in reductions and/or additional non-tax revenue required

# To Do over next few weeks

- Review and implement Security Initiatives – append to the budget
  - Identify and prioritize needs, equipment, modifications
  - Obtain quotes
  - Obtain details of new Security Aid incentive and project the net local tax impact
- Retirement Attrition Savings
- Further enrollment, program and staffing review
- BOCES cost analysis
- State Aid review
- Mandate Implications
  - APPR
  - Common Core
  - Curriculum Alignment



# Work Session To Do's

- February 28 – District Planning Team (DPT)
- March 1 – Report required data to Comptroller
- March 5 – Board Work Session
  - BOE to determine Proposed Tax Levy
  - Superintendent will present the budget or necessary reduction to meet the Proposed Tax Levy
- March 18 – Board Work Session
  - Stay abreast of and implement changes
  - State/federal funding
  - Additional propositions
- March 21 – District Planning Team (DPT)
- April 22 – Board adopts Superintendent's Budget
- May 13 – Public Budget Hearing
- May 21 – Budget Vote and Board Election

