



Pittsford Central School District

Budget Work Session #1
February 10, 2014



Agenda

- ✓ Governor's Executive Budget Proposal Implications
- ✓ State Aid Detail
- ✓ Property Tax Cap
- ✓ Projected Revenue Summary
- ✓ Status Quo Budget
- ✓ 2014-2015 Budget Challenges
- ✓ What's Next?
- ✓ New Opportunity – Establish Technology Reserve
- ✓ Board of Education Work



Governor's Budget Proposal

- Claims “a turnaround in NYS fiscal strength going from deficit spending to a surplus”.
- Where do schools fit into the Governor's plan for use of the surplus?
 - Made clear he wants to invest in new initiatives and not the usual:
(all numbers are NYS total, NOT Pittsford specific and PCSD may not be eligible for some)
 - Statewide Universal Full-day Prekindergarten \$1.5b over five years
 - Smart Schools – NYS issue \$2b bond and proceeds would fund enhanced education technology
 - After School Programs - \$720m for five year expansion
 - Teacher Excellence Fund - \$20m “to reward teacher excellence, recruit and retain the most highly effective teachers particularly in high needs districts”
 - School District Consolidation – allow the phase in of one time consolidation costs for up to 10 years to stabilize tax rate impact
 - Dignity for All Students & Anti-Discrimination Act – improve reporting, investigation and intervention requirements. Extend protections to certain groups. No additional funding.

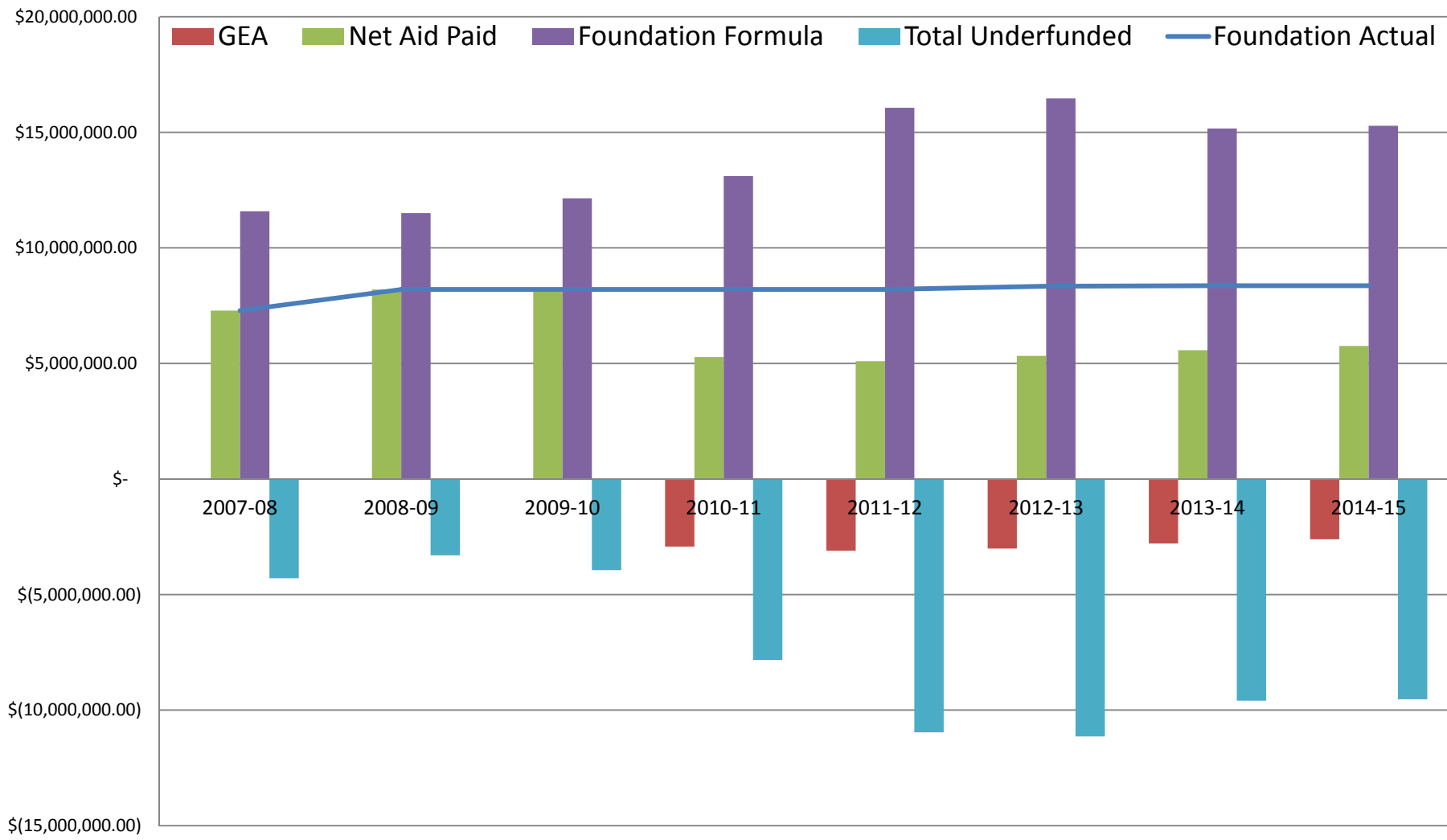


Governor's Budget Proposal

- The above are new initiatives and not detailed. What about funding for what we know we must do currently?
 - **Foundation (General Operating) Aid** continues to be frozen at the 2008-09 level
 - For 2014-15 fiscal year, frozen at \$8,364,302 should be \$15,165,195 (\$6.8m underfunded)
 - Since 2008-09 NYS is behind in its legal commitment to Pittsford by more than \$46 million or 59% funded
 - **GEA Gap Elimination Adjustment** – Continues the further reduction of Foundation Aid with nominal restoration from the prior year
 - For 2014-15 the GEA is -\$2,608,620
 - The reduction is \$182,654 less than current year
 - Since 2010-11 the GEA has further reduced at a cumulative total of \$14,435,427
 - **Bottom-line?** Since 2008-09 Pittsford Taxpayers have funded New York State's portion of our support totaling \$60.6m or the District receives 46% of what it is legally supposed to. Is anyone paying 46% less in NYS Income Tax?



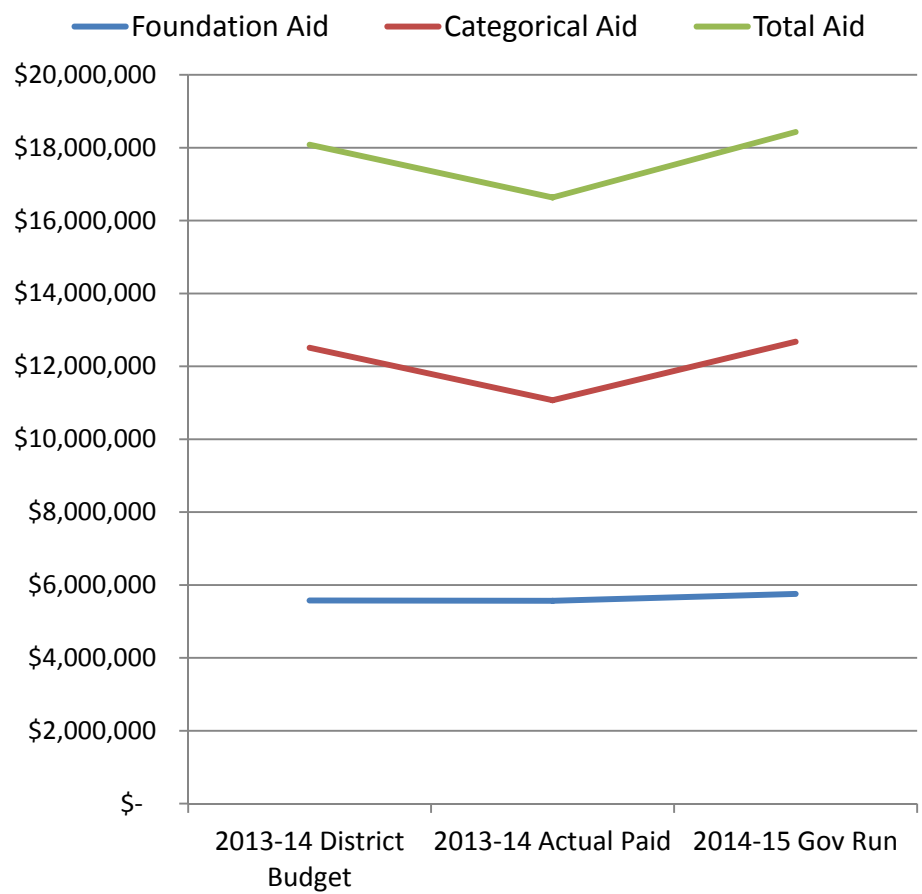
Foundation Aid & GEA History





Why does the media report more than the District?

- The answer is timing and perspective
 - The District compares and the voters consider the change from budget to budget
 - The Governor compares actual aid payments to his projection for next year
- Gov. run is based on his assumptions of how we will finish the current year and the aid that will generate. Often resulting in overestimating the aid. (makes it look like an increase)
- District updates the projections as best we can to something closer to actual. Therefore, usually we estimate lower based on actual enrollment, expenditures, etc.
- 2013-14 current actual aid to be paid is less than budgeted





State Aid Projection Detail

State Aid Type	2013-2014 Budget	2014-2015 Proposed	Dollar Change	Percent Change
Foundation Aid	8,364,302	8,364,302	-	0.0%
GEA	(2,791,274)	(2,608,620)	182,654	-6.5%
Net Foundation Aid	5,573,028	5,755,682	182,654	3.3%
<i>Categorical Aids</i>				
BOCES	2,237,160	2,083,811	(153,349)	-6.9%
High Excess Cost	739,326	562,356	(176,970)	-23.9%
Private Excess	164,305	141,787	(22,518)	-13.7%
Hdwre & Tech	93,702	92,361	(1,341)	-1.4%
Soft, Libr, Text	525,440	519,420	(6,020)	-1.1%
Transportation	3,013,001	3,212,129	199,128	6.6%
Urban/Suburban	882,629	1,138,791	256,162	29.0%
Total Categorical Aid	7,655,563	7,750,655	95,092	1.2%
Building Aid	4,856,275	4,926,402	70,127	1.4%
Total State Aid	18,084,866	18,432,739	347,873	1.9%



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?

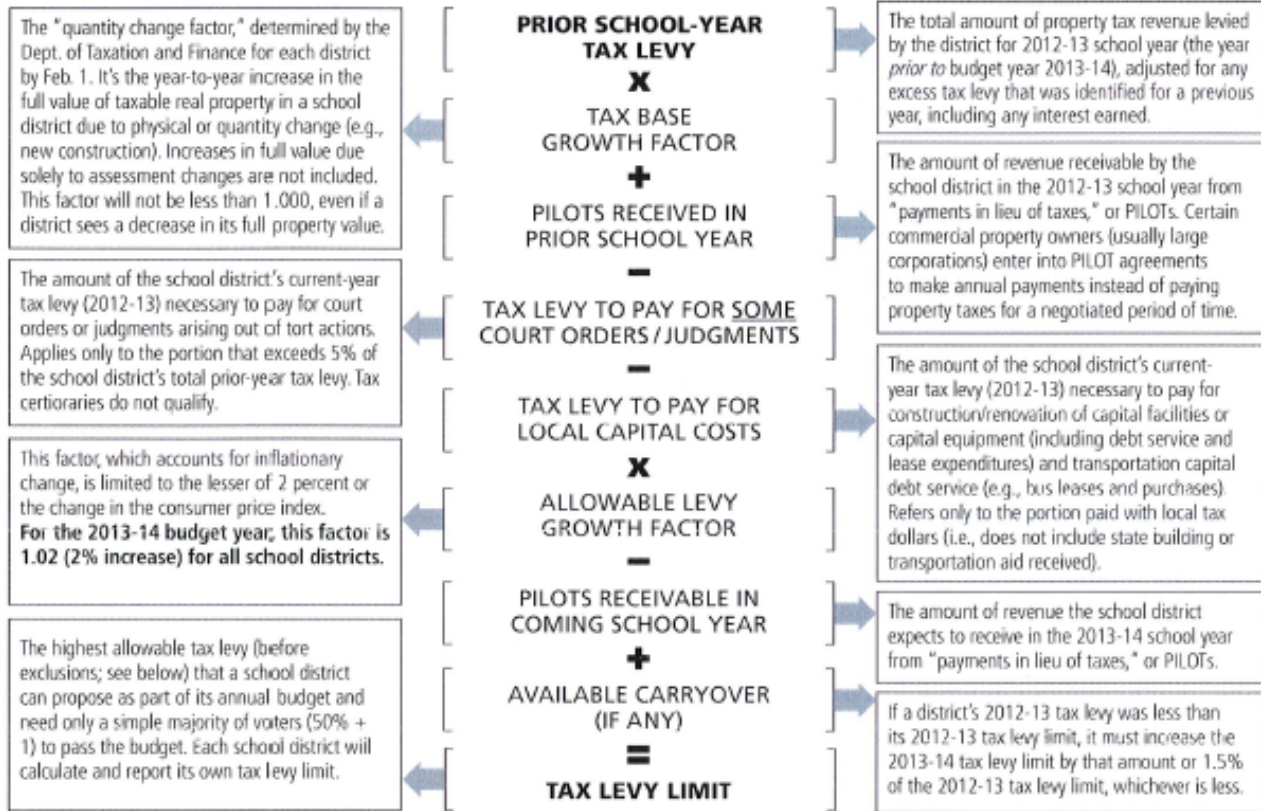
UPDATED FOR 2013-2014

New York's Tax Levy "Cap" Formula:

How does it add up?

Although often referred to as a "2 percent tax cap," New York's 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.

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TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS

The amount of the school district's coming-year tax levy (2013-14) 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.

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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.

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TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS

The amount of the school district's coming-year tax levy (2013-14) 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).

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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.



Produced by the Capital Region BOCES Communications Service (<http://www.capitalregionbooces.org/Communications/>), in consultation with the Questar III BOCES State Aid and Financial Planning Service. Published March 2013.





How does the formula work for Pittsford?

Prior Year Levy	\$ 91,075,881	2013-14 Actual
	x	
Times: Tax Base Growth Factor	1.0056	From Comptroller expansion & development
	+	
Add: Prior Year PILOTs	\$ 380,000	2013-14 Actual
	-	
Less: Prior Year Capital Levy	<u>\$ (2,846,265)</u>	Local Portion (Debt Service Less Bldg Aid)
	=	
Equals: Prior Year Adj Levy	\$ 89,119,664	Adjusted to Base for Growth
	x	
Times: Allowable Growth Factor	1.46%	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	\$ 90,045,066	



How does the formula work for Pittsford?

(continued)

Equals: TAX LEVY LIMIT		\$ 90,045,066	
			+ To be filed with Comptroller March 1
Plus: <u>EXCLUSIONS</u>			
Court Orders & Judgments	\$ -		
New Year Capital Levy	\$ 2,684,899		Local Portion (Debt Less Bldg Aid) already voter approved
Pension Growth > 2 pts	\$ 0		Employee & Teacher Retire System mandated payments
Add: Total EXCLUSIONS		\$ 2,684,899	
		=	
Maximum Allowable Tax Levy	\$ 92,729,964	\$ 1,654,083	1.82%
			Maximum for simple majority vote
			Greater would require 60% approval



Revenue Summary

	2013-14 Budget	2014-15 Proposed	\$ Change	% Change
Non Property Tax Revenue				
State Aid	\$ 18,084,866	\$ 18,432,739	\$ 347,873	1.9%
Interest on Invest	\$ 98,000	\$ 69,125	\$ (28,875)	-29.5%
Misc Revenue	\$ 1,069,482	\$ 923,169	\$ (146,313)	-13.7%
Monroe Cty Sales Tax	\$ 4,600,000	\$ 4,900,000	\$ 300,000	6.5%
Pmts In Lieu of Tax (PILOT)	\$ 380,000	\$ 380,000	\$ -	0.0%
Total Non Property Tax Revenue	\$ 24,232,348	\$ 24,705,033	\$ 472,685	2.0%
Use of Fund Balance & Reserves				
Unemployment Reserve	\$ 40,000	\$ 40,000	\$ -	0.0%
EBLAR Reserve	\$ 400,000	\$ 400,000	\$ -	0.0%
Emp Retire System Reserve	\$ 203,000	\$ 203,000	\$ -	0.0%
Appropriated Fund Balance	\$ 1,300,000	\$ 1,300,000	\$ -	0.0%
Total Use of Fund Bal & Reserves	\$ 1,943,000	\$ 1,943,000	\$ -	0.0%
Property Tax Levy	\$ 91,075,881	\$ 92,729,964	\$ 1,654,083	1.8% <i>At Tax Cap</i>
Total Revenue	\$ 117,251,229	\$ 119,377,997	\$ 2,126,768	1.8%



Status Quo Budget

- The Status Quo or “rollover budget” assumes:
 - Enrollment stable
 - Staffing adjusted for BOCES and known Special Ed changes
 - Programs & Services offered at current levels
 - Costs converted to next year dollars
 - Collective Bargaining Agreements
 - BOCES unit charge estimates
 - Fuel and Utilities
 - Market indicators
 - Town field rental



Status Quo Budget

Object of Expense	2013-2014 Adopted	2014-2015 Status Quo	Dollar Change	Percent Change
Salaries	56,526,913	57,799,185	1,272,272	2.25%
Benefits	33,771,907	35,471,077	1,699,170	5.03%
Equipment	395,864	467,781	71,917	18.17%
Contractual & Tuition	6,531,614	6,861,251	329,637	5.05%
BOCES	8,236,951	8,256,971	20,020	0.24%
Supplies & Aided Mats	3,004,345	2,915,232	-89,113	-2.97%
Debt Service & Transfers	8,783,635	8,647,719	-135,916	-1.55%
Total Budget	117,251,229	120,419,216	3,167,987	2.70%

Would result in a Tax Levy increase of 2.95%

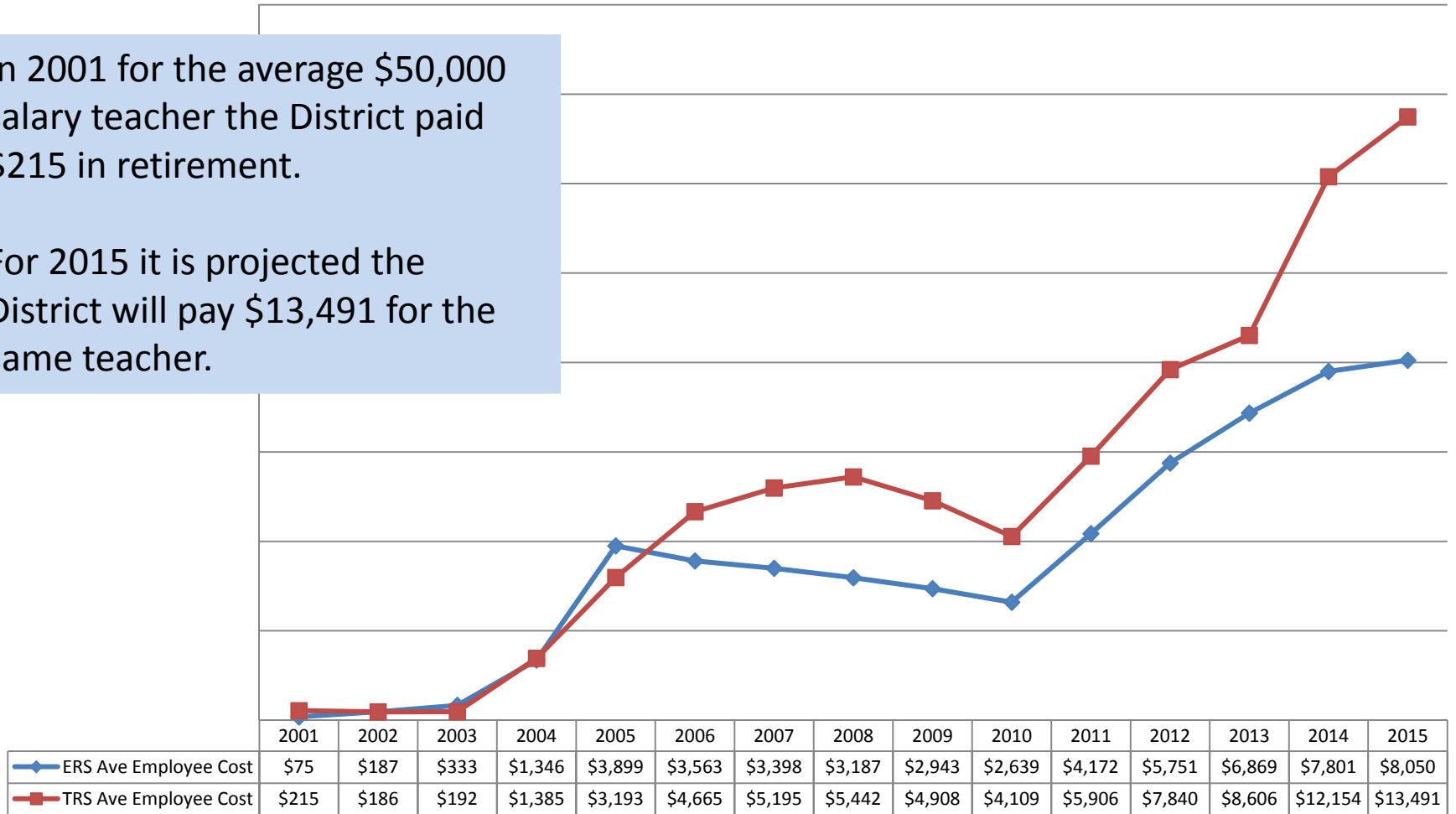


Retirement Cost History for Average Employee

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 2015 it is projected the District will pay \$13,491 for the same teacher.





Putting it Together

- Funding Revenue Growth - What do we have to work with? \$2,126,768
 - Other Misc Revenues \$ 124,812
 - State Aid \$ 347,873
 - Tax Levy (at cap) \$1,654,083

- Budget Appropriation Growth \$3,167,987
- Funding Shortage **\$1,041,219**

- Options
 - Budgetary Expenditure Reductions
 - Use of Fund Balance & Reserves
 - Combination of the above
 - Exceed the Tax Cap, Supermajority voter support, 60%+ required



Challenges for 2014-2015 Budget

- Property Tax Cap Nuances ✓
- Increased Special Education / BOCES costs
- Governor's Budget Proposal reduces GAP elimination to the District by 6% which equates to \$182,654 in additional state aid
- Employer Contribution Rate increases to TRS, slight decrease to ERS



To Do over next few weeks

- Continue to update Long-Range Financial Status
- Retirement Attrition Savings
- Further enrollment, program and staffing review
- BOCES cost analysis
- State Aid review
- Continue to work with the DPT to compile for the Board a list of options
- New Opportunity – Technology Reserve



Work Session To Do's

- February 25 – Board Work Session
 - BOE to determine Proposed Tax Levy options & implications
 - Superintendent will present work of DPT to-date
 - Technology Capital Reserve Presentation
- March 1 – Report required data to Comptroller
- March 6 – District Planning Team (DPT)
- March 10 – Board Work Session (Final)
 - Stay abreast of and implement changes
 - State/federal funding update
 - Additional propositions
- March 24 – BOE Meeting
- April 23 – Board adopts Superintendent's Budget
- April 24 – District Planning Team (DPT)
- May 12 – Public Budget Hearing
- May 20 – Budget Vote and Board Election

