

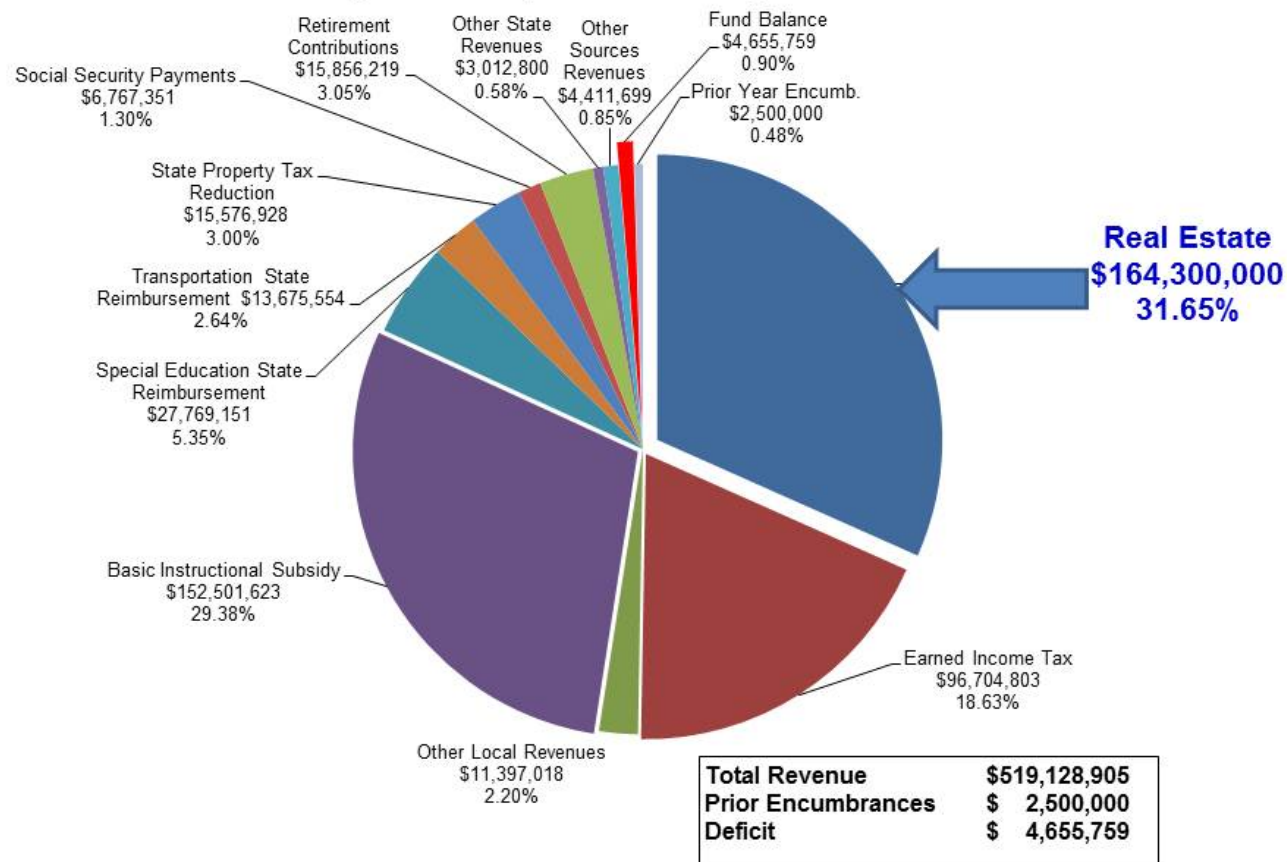
# PPS Millage Recalculation based on 2013 Allegheny County Reassessment

**Board Committee Meeting  
December 4, 2012**



# PPS 2013 Budget includes a *Revenue Projection* based on County's 2013 Real Estate Reassessments

## 2013 Budget Projection by Revenue Source





## **PPS 2013 *Millage Calculation* also is based on County's 2013 Real Estate Reassessments**

- Judge Wettick has agreed to consider on December 7, 2012 an extension to the County's reassessment timeline and the District's timeline for setting the millage rate and Homestead Exemption from Gaming Revenues.
  - The deadline for Allegheny County to certify the Assessment of property values may be extended beyond December 17, 2012.
  - As a result of County extension, the District is proposing an extension from December 31, 2012 to January 31, 2013, setting the millage rate for 2013 and Homestead Exemption.



# Timeline for PPS Board Action is Based on Reassessment Timeline

- Like last year, the Board will need to vote on the Budget separate from its vote on the millage rate and Homestead Exemption:
  - December 19, 2012 Legislative Meeting – Budget Adoption
  - January 23, 2013 Legislative Meeting – Anticipated Adoption of Millage and Homestead Exemption




# Act 1 of 2006 includes Anti-windfall Provision for Districts Impacted by a Reassessment

- Act 1 was intended to ease financial burden of home ownership by providing school districts the means to lower property taxes to homeowners via gaming revenue.
- In year following a reassessment, school district revenue received from current taxes cannot exceed what a district received in the year before *except for the following*:
  - **School districts can increase millage rates up to an annual index (currently 1.7%) as set by PA Department of Education**
  - Only way that school districts can increase the millage beyond the index is to seek a voter referendum (for PPS this referendum would occur in November)



# Effect of Pending Appeals Can Negatively Impact 2013 District Revenue Projection

- Pending real estate assessment appeals can potentially lower the overall assessed value of County's certified assessment of property values as well as **lower the District's projected revenue.**
  - The District must take steps now in setting its 2013 millage in order to mitigate against the risk of lower revenues resulting from pending appeals.
  - The District cannot go back and make millage adjustments once appeals have been completed.
- In order to hedge against negative revenue impact due to pending appeals, **we recommend taking the allowable 1.7% tax increase to create a Reserve Fund** for this purpose.



# Recommendation for 2013 Millage Calculation in Order to Mitigate Risk of Revenue Shortfall due to Pending Appeals

- **Start with 2012 base:**
  - Take County's 2012 certified assessed value multiplied by the District's 2012 millage of 13.92 mills
- **Recommend amount of tax increase allowable by law based upon annual index:**
  - Currently index is 1.7%, which results in \$3.2 million Reserve Fund
- **Receive County certified 2013 adjusted assessed value:**
  - Represents 2013 total taxable assessed value minus the value of new construction as determined by the County
- **Calculate 2013 millage rate:**
  - 2012 base **plus** allowable tax increase based on annual index **divided** by certified 2013 adjusted assessed value

# Comparison of Calculation Method of Millage Rate – Example Scenario

	Without Index	With Index
<b>2012 Certified Assessed Value</b>	\$13,711,453,095	\$13,711,453,095
<b>2012 Base</b>	\$190,863,427	\$190,863,427
<b>Max Allowable Increase</b>	\$0	\$3,244,678
<b>Max Allowable Base</b>	\$190,863,427	\$194,108,105
<b>2012 Millage (mills)</b>	13.92	14.16

<b>2013 Certified Assessed Value<sup>1</sup></b>	\$20,567,179,643	\$20,567,179,643
<b>New Construction<sup>2</sup></b>	\$100,000,000	\$100,000,000
<b>2013 Adjusted Certified Value</b>	\$20,467,179,643	\$20,467,179,643

<b>2013 Millage (mills)</b>	9.33	9.48
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Estimates indicate that the reduction in assessed value due to pending appeals could be \$400,000,000 which would result in a loss in revenue of \$3,603,871.

Increasing to the index would offset this loss in revenue by \$3,244,678.

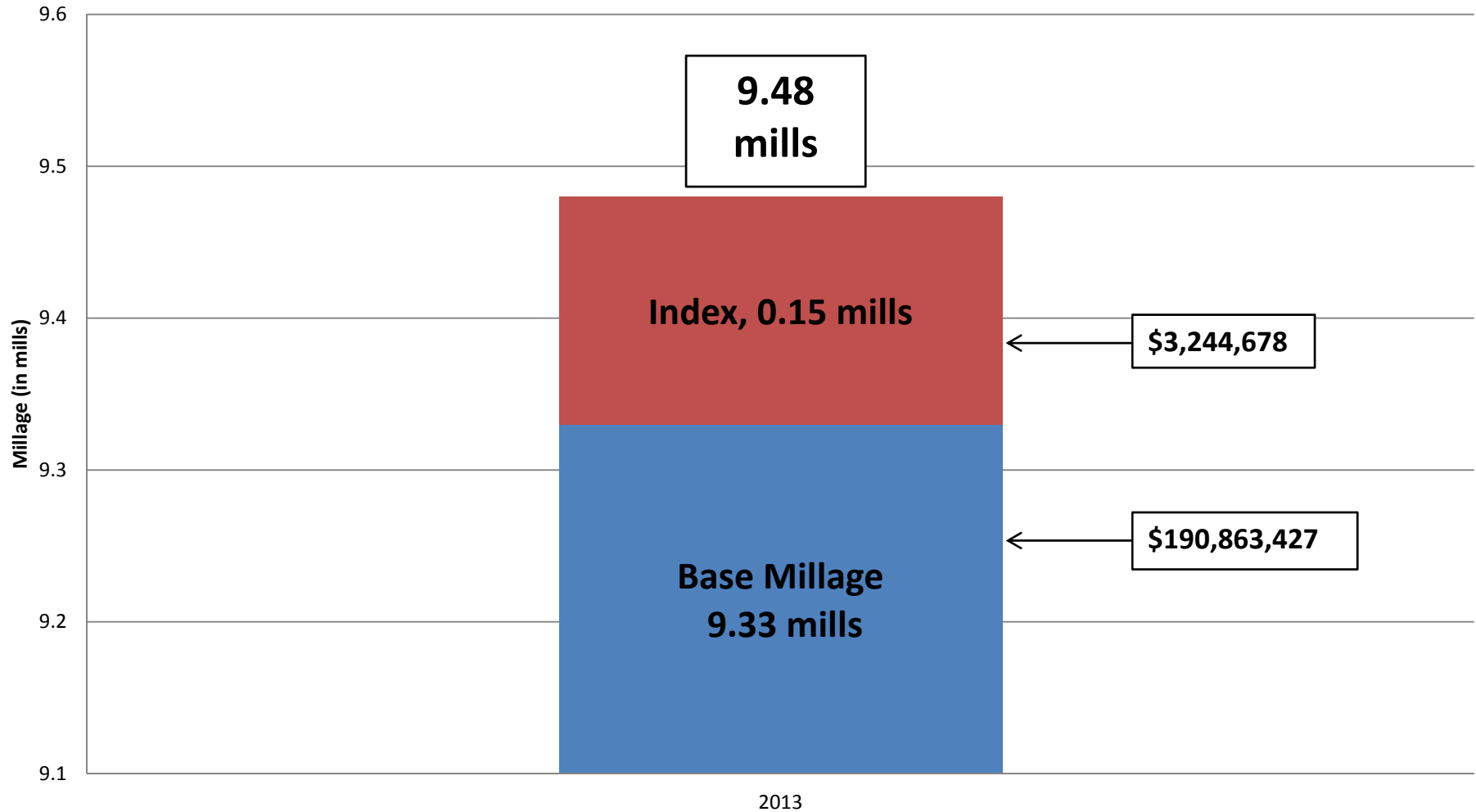
<sup>1</sup> Assumed a 50% increase over 2012

<sup>2</sup> These values are only estimates

**These are theoretical calculations. No assessment numbers have been provided by the county.**



# Composition of 2013 Millage Rate – Example Scenario



These are theoretical calculations. No assessment numbers have been provided by the county.

# Impact on Homeowners – Example Scenario

	Assessed Property Value			
<b>Current Rate (13.92 mills)</b>	\$100,000	\$150,000	\$200,000	\$250,000
<b>Property Tax Bill</b>	\$1,392	\$2,088	\$2,784	\$3,480

	Assessed Property Value			
<b>2013 w/o Index (9.33 mills)</b>	\$100,000	\$150,000	\$200,000	\$250,000
<b>Property Tax Bill</b>	\$933	\$1,400	\$1,866	\$2,333

	Assessed Property Value			
<b>2013 w/ Index (9.48 mills)</b>	\$100,000	\$150,000	\$200,000	\$250,000
<b>Property Tax Bill</b>	\$948	\$1,422	\$1,896	\$2,370

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# We Have Obligation to Ensure Sufficient 2013 Revenues to Educate Our Children

- Based on uncertainty of 2013 real estate revenues, we must budget responsibly and utilize the index to establish a Reserve Fund to hedge against pending appeals.
  - The School District has not increased taxes for 11 years while employment and retirement costs have risen.
  - We already have made huge budget cuts, adopting \$50 million in reductions from June 2011 to July 2012.
  - Raising taxes up to the current annual index of 1.7% is the same as the 1.7% annual cost of living increase.\*
  - Based upon County’s reassessed property values, the District’s millage rate will be **significantly** lower than last year even if we take the allowable 1.7% increase.



\*Based on the 2013 annual cost of living adjustment for Social Security Income.