FY 2014-15 Budget FAQ

Why is a tax increase being discussed?

The board is proposing a tax increase through the Board Local Levy. The increase is designed to generate $3 million in new property tax revenue. The primary budget pressures causing this action stem from the substantial increased student enrollment increase this year and expected increase for next year. The average per pupil expenditure of the district is $10,100 per student. With the state legislature providing $2,972 towards the district's total per student expenditure, the district must either reduce education offerings to students or seek to make up the difference in per pupil spending to maintain the quality of education expected by the parents and students of the district. The overall impact of this school year's growth of over 200 students and the anticipated growth of over 100 students next school year amounts to over $2.2 million. Additionally, the board is proposing to increase the number teaching staff by over 8.5 FTE at a cost of nearly $876,000. The additional teachers will help to alleviate the upward class-size pressures felt this year and help to avoid repeating those circumstances next school year.

There was a tax increase of $4 million two years ago; with this increase of $3 million, that will equal $7 million in three years.

The last tax increase was in 2012 for $4 million in new revenue. At that time the district finalized 3 year contract with licensed employees, which included escalating compensation costs. Tax strategy was to build fund balance in the early years of contract to then draw down in later years of contract as compensation expense increased. Several compensation elements such as health care and retirement have grown at rates much higher than forecast. This tax increase does come a year sooner than anticipated.

What was the cause of expenditure underestimates in the FY2013-14 budget?

All budgeting is based on forecast and estimates. The fiscal year 2013-14 was no exception. Each year employees have the opportunity to enroll in health care plans offered by the district. For this particular year the employee enrollments came in higher than forecast by 8%. Many factors determine the enrollment rate. This year was anticipated to be the first year of the individual mandate by the federal government to have health insurance or be subject to a penalty. This may have had some impact on increased enrollment.

A second estimation variance was in forecasting classified salary costs. The district uses an incremental budgeting model to build base budgets. The model assumes prior year payroll levels to establish the subsequent year's payroll costs. When the calculations were made two pay periods of data were not included for the 12 month smoothing formula; thus, underestimating the total payroll cost for the next year.

What is the future funding strategy for the district with talks of potential bonds and future tax increases?

The board is currently reviewing the long-term needs of the district. To date, the board has maintained a capital reserve of near $18 million for future capital needs. Once a review of facility needs has identified projects, timelines and cost estimates, the board may look to long-term financing strategies such as bonding. Outstanding bonds from the remodel of the high school will be retired this fiscal year thus reducing the tax levy for this purpose. Any bond discussions would look to restore the tax levy to finance potential projects with the expectation that the tax burden would not be significantly different than what is currently paid by tax payers for our bonds.

Why are the reserves not used first before discussing tax increases?

Reserves are being used. The projected Rainy Day Fund excess reserve will be reduced by 29% as well as using 60% of the health insurance reserve account to balance the FY2014-15 budget.

Why is the district paying recapture when it was projected to not pay recapture in FY2013-14? How will that be different in FY2014-15?

Recapture is a property tax allocation mechanism that ensures the district receives its entitled funding for the Minimum School Program while not receiving more property tax revenue than authorized through the basic levy. When more property tax revenue is collected than authorized, it is called recapture by law and returned to the state. The recapture calculation is subject to many variables, but mainly from the tax collection rates and payment of redemptions. The tax collection rate was forecast at the five year average of 92.55%. The actual tax collection rate for this year was near 94%. Also, the redemption payments came in higher than forecasted. Both these increases generated more tax revenue than the district is entitled to under the Minimum School Program triggering a recapture payment of $446,000.

The district is projected to come out of recapture next school year. Attributed to:

- Increases in the value of the WPU by 2.5%
- Projected enrollment growth of 2.2%
- State calculated basic levy rate decrease due to increases in assessed valuation

Why did the district enter into compensation agreements with insufficient funding?

The board is building a foundational structure for the state mandated performance pay plans for teachers as required in §§53A-8a-409 and 601 of Utah code. The tax increase of 2012 was in part designed to fund this decision for at least the 3 year period of the licensed educator's contract.

What is the purpose of the Rainy Day Fund and why does it increase each year?

The purpose of the Rainy Day Fund is to absorb unforeseen revenue or expenditure fluctuations within a fiscal year where no financing strategies can be brought into action. GFOA (Government Finance Officers Association) recommends a balance equal to two months of operating expenditures as a prudent buffer for financial unknowns. As the level of operating expenditures fluctuates each year of the forecast, the two-month calculation fluctuates commensurately.

The budget forecast tool shows expenditures rising in future years with identified tax increases in each of those years; this suggests deficit spending if the board does not increase taxes.

The expenditures referenced are projected assuming that no action is taken by the board to change future expenditures in compensation, programs, or operations during the time period presented. The board started using the 5-year model two years ago in order to understand long-term effects of single-year budget decisions. The budget however is passed annually and the board can only make decisions for the current fiscal year.

What is the compensation increase for teachers next year?

The total (salary plus benefits) compensation increase is 7.0% comprised of an average 5% increase in salary through steps and endorsements, 8% increase in retirement rates and 14.6% increase in health insurance premiums.

What impact will the increase in teachers have on student to teacher ratios?

The budget includes an additional 8.5 FTE in teaching staff for the district. Ecker Hill Middle School will receive 4.5 FTE while the High School will receive 3.5 FTE (including FTE through USTAR grant). The increased teaching staff will reduce core classes to an average of 28 students in the secondary schools. Kindergarten enrollment continues to increase. An additional 0.5 FTE is proposed to support those children.

What will be the tax impact on my home?

The proposed tax increase for 2014 will increase school taxes to $1443 or $42 more than 2013 tax amount on a primary home valued at $550,000. The certified tax rates are dropping for basic levy, voted leeway and capital levy offsetting the board levy increase of $86 and the one-time tax increase for a Judgment levy of $21. Historically, the school tax on a primary home was as high as $1511 in 2005. Comparing this tax increase to the increase in 2012, the 2012 total tax increase on a primary home valued at $550,000 was $156.

What is a Judgment Levy?

A Judgment levy is a one-time tax adjustment that a taxing entity can impose to recover tax revenues refunded to tax payers who have gone through a tax appeal process. In this case a tax payer appealed its tax assessments from 2011 and 2012 to the State Tax Commission and prevailed.

Will the increase in taxes guarantee a world class district and attract world class teachers?

The tax increase is necessary to maintain Park City School District's record of excellence and its efforts to continually improve. The Board and Administration will continue to look for ways to enhance student outcomes. The PCHS graduation report can be found at http://www.boarddocs.com/ut/pcsd/Board.nsf/files/9L78RC70B95C/$file/Revised%202014%20Graduation%20Report.pdf.

What is the website to get information on the budget and this hearing?

The information for the hearing can be found on two district sites: at http://www.pcschools.us/index.php?page=363 and, on the board's agenda at http://www.boarddocs.com/ut/pcsd/Board.nsf/public

When will the Truth in Taxation Hearing take place?

The Truth in Taxation hearing is scheduled for September 2, 2014 at 6:30pm at the district offices located on 2700 Kearns Blvd in conference rooms A & B. The hearing will be advertised in the Park Record and on the district's website.

Why was the date of the hearing changed and a new tax notice sent out?

The date of the hearing was rescheduled according to statutory requirements. The hearing cannot be held within 10 days of tax notice delivery and also must be advertised in the local paper 14 days before the actual date of the hearing. With the need to resend tax notices, expected to be delivered by August 22nd, the board was required to reschedule the hearing.

The reissue of tax notices was necessitated by a change in assessed valuations submitted by the county auditor to the State Tax Commission. The original submission did not contain all Board of Equalization adjustments as well as some reassessment adjustments. The new data required the certified rate to be recalculated for the tax notices.