



Summary of Recent Finance Meetings

Dear Pine-Richland Community,

The Pine-Richland School Board wishes to provide a summary of the key points discussed during our recent finance meetings on September 16, 2024, October 7, 2024, and a preview of the planned meeting on December 16, 2024. We are very grateful for your engagement on the important topic of future-focused finance.

September 16th Finance Meeting: Focused on Revenue

We discussed the primary sources of our revenue, with local tax revenue being the biggest contributor, particularly from real estate and Earned Income Tax (EIT). The Common Level Ratio (CLR), set by Allegheny County, has significantly impacted our revenue growth. The CLR is an arbitrary factor used to adjust the value of real estate for tax purposes. It reduces the market value of newly sold or constructed property, which in turn affects the tax revenue derived from real estate (both residential and commercial). Only Allegheny County school districts are impacted by the CLR.

The CLR has been decreasing over the years, creating challenges for our revenue growth. For example, in 2024, the CLR is 54.5%, down from 63.6% in 2023, 63.5% in 2022, and 86.2% in 2021. This means that if a house is sold for \$100,000 in 2024, the assessed value for tax purposes will be \$54,500. As a result, our revenue will no longer grow organically by a naturally growing tax base. At best, our revenue will remain flat, and at worst, it will decrease moving forward. The only millage increase in the past ten years was a 1.97% increase in 2017, which helped fund capital projects and reduce debt, leading to an S&P Global GOB rating upgrade to AA Stable in May 2024.

October 7th Finance Meeting: Focused on Expenditures

We reviewed our expenditures, noting that 80% of our operating expenses are attributed to salaries and benefits, debt service, and transportation services. For capital projects, we have spent \$31 million since 2016, with another \$34 million planned over the next five years. A shortfall may occur in the capital budget due to the CLR discussed above. There are multiple levers that may need to be considered to fund these projects. First, from the expenditure side, we will explore operating expense reduction through further operational efficiency gains and cost containment strategies. Second, consideration may be given to delaying capital projects. Third, and final consideration, we may need to increase millage rates or borrow money. A similar millage increase to the one in 2017 would generate additional revenue while maintaining our competitive millage rate in Allegheny County. For context, we currently have the third lowest millage rate in Allegheny County.

December 16th Finance Meeting: Focused on 2025-26 Budget Planning

In the upcoming meeting, we will discuss the variables affecting revenue and expenditures for the 2025-26 school year, potential savings from refinancing our variable debt, and future capital project expenditures. We will also consider the administration's preliminary recommendations for the 2025-26 budget.

Sincerely,
Pine-Richland School Board

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