

MEMO TO: BOARD MEMBERS
DR. JOHN SIMPSON

FROM: BRUCE ELLERMAN

DATE: SEPTEMBER 26, 2016

RE: Board Approval of 2016-17 PROPERTY TAX RATES

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In follow-up to the Tax Rate Hearing held by the district on September 12, 2016, the Board of Education is now required to set the 2016 Tax Rate. This rate must then be submitted to the County Clerk so the County Collector can begin the process of generating 2016 property tax bills. The County has requested district tax rates be submitted by September 30, 2016.

No public comments were received at the Tax Rate hearing. However, the district did receive a written comment in response to the Tax Rate hearing notice that was published which suggested the district consider voluntarily reducing the tax rate by \$.01 in conjunction with recent changes to the full-day kindergarten program that eliminated the need for public funding of FDK scholarships—a need which had previously been approved by the voters in 2005.

The operating tax rates being recommended herein reflect this voluntary \$.01 reduction. Furthermore, these tax rates have been recomputed based on more recent assessed valuation information received by the district from the county after the tax rate hearing (primarily a decrease in the initial personal property valuation). Such revisions are a normal part of the timing of the rate setting process since tax rates are being computed by school districts at the same time as the Assessor is still finalizing assessed valuations. It's a moving target by its very nature. As expected, such assessed valuation revisions resulted in relatively minor (less than half a cent) changes in the property tax rates. These rates have been submitted to the Missouri State Auditors Office for review and we expect to receive their approval before the September 26th Board meeting.

Overall assessed valuation increased by .79% compared to last year (compared to .50% growth assumed in the budget). Because 2016 is not a reassessment year, the only source of growth was new construction and new personal property. Specifically, residential property increased .37%, commercial property decreased <.26%> (due to protest settlements) and personal property increased 4.66%.

A comparison of the preliminary tax rates presented at the Tax Rate hearing and the revised tax rates now being recommended for Board approval is as follows (including the \$.01 voluntary rollback):

	<u>Prelim AV</u>	<u>Revised AV</u>	<u>Prelim Tax Rate</u>	<u>Final Tax Rate</u>
Residential	\$565,272,020	\$565,101,720	\$5.0830	\$5.0786
Commercial	\$90,275,900	\$90,359,680	\$5.2916	\$5.2772
Agricultural	\$0	\$0	\$0.0000	\$0.0000
Personal	\$91,583,150	\$85,406,500	\$5.9100	\$5.9000
Total	\$747,131,070	\$740,867,900	\$5.2096	\$5.1975

A debt service levy of \$.5699 is then added to the tax rate for each category above. I have provided a brief history of the tax levy by category (residential, commercial, personal property) and some talking points for you to review.

Operating Levy Comparison

	Residential rate	Commercial rate	Personal Property rate
2014-2015	\$5.2885	\$5.6617	\$5.9100
2015-2016	\$5.0937	\$5.2206	\$5.9100
2016-2017	\$5.0786	\$5.2772	\$5.9000

- These rates are computed using standard forms provided by the State Auditor's Office that already have all calculation formulas and prior year tax rate information pre-populated. All the district does is plug in current year assessed valuations, new construction, TIF's and any new voter-approved tax rate increase.
- Because commercial assessed valuation declined, the district is able to roll up the commercial property class tax rate by \$0.067 to compensate for that loss.
- The district is voluntarily rolling back the operating tax rate on both real and personal property by \$.01 to offset the elimination of FDK scholarships. Depending on the district's future financial needs, the Board has the discretion to rescind this voluntary rollback after 2 years (i.e. after 2017).
- The debt service tax rate is added to the operating tax rate. Debt service calculations are based upon the property tax revenue needed to pay the current year's debt and an additional year's reserve as required by the State Auditor's Office. The district has calculated this tax rate at \$1.3188. The district is able to voluntarily reduce this rate by \$0.7489 to hold the debt service rate at the \$0.5699 level as previously committed. However, please be aware this will only allow a minimal debt service fund balance that is just sufficient to make required interest and principal payments to be maintained.

We can provide you with the tax rate calculation forms from the State Auditor's Office to support these rates if you would like to review them. Suggested motions to set the district's 2016 tax rates are attached for your consideration. Please do not hesitate to contact me if you have additional questions.

Recommended motion....that the Board of Education approve the 2016 tax rates as attached.