



*Together, Educating Every Student for Excellence*

# TAX WARRANT RECOMMENDATION Fiscal Year 2021

July 7, 2020

# For discussion

- Summary up front
- About the tax warrant
- About the tax rate components
- Basis for the recommendation
- The recommendation restated
- Request for Board action on the resolution and tax warrant

# Summary up front

- Recommend a total tax rate of \$2.9382 per \$100 assessed value

|              | FY2019          | FY2020          | FY2021<br>Recommended | Change<br>FY20 to FY21 | Reason                               |
|--------------|-----------------|-----------------|-----------------------|------------------------|--------------------------------------|
| Operating    | \$1.7200        | \$1.7200        | <b>\$2.0600</b>       | + \$0.3400             | June 9, 2020<br>Referendum           |
| Debt Service | \$0.0750        | \$0.0750        | <b>\$0.0932</b>       | + \$0.0182             | June 9, 2020<br>Referendum           |
| Match        | \$0.0750        | \$0.0700        | <b>\$0.0700</b>       | No change              | Same as previous<br>fiscal year      |
| Tuition      | \$0.5800        | \$0.6200        | <b>\$0.7150</b>       | + \$0.0950             | Increased special<br>education costs |
| <b>TOTAL</b> | <b>\$2.4500</b> | <b>\$2.4850</b> | <b>\$2.9382</b>       | <b>+ \$0.4532</b>      |                                      |

# About the tax warrant

- Tax warrant is due to the County by the second Thursday of each July. For fiscal year 2021 it is due by July 9, 2020.
- Calculations are based on historical and projected revenue and expenditure data.
- Christina SD school taxable assessed property value is \$5,601,908,803.
  - Each penny of tax rate brings in \$560,190.88
  - Each penny of tax costs \$6.51/year to the “average” property owner

# Tax rate components

|               |                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operating Tax | Operating (also known as Current Expense) Tax revenue pays for the general operation of the district and specific programs per voter referenda. A referendum is required to increase the maximum authorized rate that the Board may levy.                                                                                                                                        |
| Debt Service  | Debt Service revenue pays for retirement of authorized capital improvement bonds. A referendum is required for authority to issue bonds. The Board approves a rate sufficient to meet debt service (principal and interest) payments.                                                                                                                                            |
| Match Tax     | Match Tax may be levied by the Board, without referendum, for certain specific purposes as provided for in state law and regulation. In some cases, a local match is required to receive a corresponding state match.                                                                                                                                                            |
| Tuition Tax   | Tuition Tax revenue pays for, to the extent authorized by state law and regulation, expenses related to in-district programs and out-of-district placements for certain students with disabilities, as well as placements in other specific programs without regard to special education status. No referendum is required; the Board is authorized to set the Tuition Tax rate. |

# Recommendation – Operating Tax

- Two sections in the June 9, 2020 referendum were approved by voters, authorizing the Board to increase the rate.
  - 29¢/\$100 assessed for programs and operating expenses
  - 5¢/\$100 assessed for the elementary English language arts curriculum
- **Recommendation: Increase the Operating Tax rate by 34¢/\$100 assessed from FY2020 rate (\$1.72/\$100) to \$2.06/\$100 assessed.**
- Rate includes the 46.8¢/\$100 New Castle County School Tax District rate. Christina property owners will lose an estimated total of \$756.8K in FY2021 to other districts as a result of the “Tax Pool.”

# Recommendation – Debt Service

- Two capital program sections in the June 9, 2020 referendum were approved by voters, authorizing the Board to issue capital improvement bonds. The projected impact on the FY2021 debt service rate was included in the Notice of Election.
  - 0.6¢/\$100 assessed for Section 3 (Renovations to CEEC, Marshall, Leasure)
  - 1.22¢/\$100 assessed for Section 4 (Renovations to CHS, NHS; Downes expansion)
- **Recommendation: Increase the Debt Service rate by 1.82¢/\$100 assessed from FY2020 rate (\$0.075/\$100) to \$0.0932/\$100 assessed.**
- The recommended rate change was based on the disclosure in the Notice of Election. Future Debt Service rates will be calculated using known rates and payment schedules once bonds are issued.

# Recommendation – Match Tax

- **Recommendation: For FY2021, no change to the Match Tax rate levied in FY2020 (\$0.070/\$100 assessed).**
- The incoming district leadership will analyze historical utilization of match tax opportunities throughout FY2021 to inform our recommendation for the FY2022 tax warrant.
- Opportunity Fund was not matched in FY2020. The Board is authorized to levy up to a 2.5¢ match. We are not asking for the match this year but will explore potential ways this match could help students which could result in a request next FY.



# Recommendation – Match Tax

|                          |                                                                                                                                                                                                                              |               |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Minor Capital            | Provides a 40% required match to the State's 60% of MCI funds for maintenance/repair of facilities as provided in the Bond Bill.                                                                                             | 1.64¢         |
| SSBG                     | SSBG (Student Success Block Grant) Match provides for the local cost share of K-3 Basic special education teachers and reading interventionists to the extent they can be funded by state Student Success Block Grant funds. | 0.90¢         |
| Technology               | Provides funds for technology support based on former State appropriations.                                                                                                                                                  | 1.68¢         |
| Extra Time               | Provides funds for additional academic support based on former State appropriations.                                                                                                                                         | 1.28¢         |
| Math/Reading Specialists | Provides funds for the local cost share of reading specialists in elementary schools and math specialists in middle schools based on former State authorizations.                                                            | 1.50¢         |
| Opportunity Fund         | Provides funds to extend activities related to the state Opportunity Fund supporting mental health, reading, English learners and students from low-income households.                                                       | Did not match |
| <b>TOTAL</b>             |                                                                                                                                                                                                                              | <b>7.00¢</b>  |

# Recommendation – Tuition Tax

- In FY2020, Christina transferred \$1.5M from a local appropriation into the tuition tax appropriation to cover out-of-district placement bills with the intent to repay the local funds from FY2021 on Board approval.
- The rate increase proposed is larger than recent annual tuition tax increases for Christina and comes in a year when the tax rate is going up due to the approved referendum. This rate increase is necessary to cover tuition eligible expenses or they will need to be paid from operating funds, bringing us back to referendum sooner. The recommendation does not include the typical 2% contingency for delinquencies for this FY to keep the rate as conservative as possible.

# Recommendation – Tuition Tax

Major tuition tax category projections:

|                                                                   |                |
|-------------------------------------------------------------------|----------------|
| DSD, DAP, District Programs (REACH/ILC)                           | \$18.7M        |
| Placements in Other Districts and Private Placement               | \$3.0M         |
| Choice and Charter                                                | \$4.7M         |
| CSD Traditional School - Bilingual, Sarah Pyle, Intense & Complex | \$12.1M        |
| Repayment of FY2020 transfer                                      | \$1.5M         |
| <b>TOTAL</b>                                                      | <b>\$40.0M</b> |

$$\text{\$40.0M (amount needed)} \div \text{\$560K/¢ (tax revenue per penny)} = \text{71.42¢}$$

# Recommendation – Tuition Tax

- $\$40.0\text{M}$  (amount needed)  $\div$   $\$560\text{K}/\text{¢}$  (tax revenue per penny) =  $71.42\text{¢}$
- **Recommendation: Increase the Tuition Tax rate by  $9.5\text{¢}/\$100$  assessed from FY2020 rate ( $\$0.62/\$100$ ) to  $\$0.715/\$100$  assessed.**

# Recommendation

|                                                                                                                                                 | Operating             | Debt Service              | Match               | Tuition              | Total Tax       |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------|---------------------|----------------------|-----------------|
| Rates are per \$100 of Assessed Value                                                                                                           |                       |                           |                     |                      |                 |
| Rate for Fiscal 2020                                                                                                                            | \$ 1.7200             | \$ 0.0750                 | \$ 0.0700           | \$ 0.6200            | \$2.4850        |
| <b>Proposed Rate Fiscal 2021</b>                                                                                                                | <b>\$ 2.0600</b>      | <b>\$ 0.0932</b>          | <b>\$ 0.0700</b>    | <b>\$ 0.7150</b>     | <b>\$2.9382</b> |
| Change                                                                                                                                          | \$ 0.3400             | \$ 0.0182                 | \$ -                | \$ 0.0950            | \$0.4532        |
| <b>Projected Fund Balance July 1</b>                                                                                                            |                       | <b>\$ 2,960,952</b>       | <b>\$ 9,789</b>     | <b>\$ 236,019</b>    |                 |
| FY 20 & Q1 FY21 Expenditures(Debt Svc)                                                                                                          |                       | \$ (7,186,699)            |                     |                      |                 |
| Expenditures (Match & Tuition)                                                                                                                  |                       |                           | \$ (3,775,726)      | \$ (39,990,000)      |                 |
| <b>Amount Required to raise</b>                                                                                                                 |                       | <b>\$ 4,225,748</b>       | <b>\$ 3,765,937</b> | <b>\$ 39,753,981</b> |                 |
| <b>Per Delaware Code Title 14 Section 1916</b><br><b>"fix the rate of taxation plus 10% for</b><br><b>Delinquencies" (District utilizes 2%)</b> |                       | \$ 84,515                 | \$ 75,319           | \$ -                 |                 |
| <b>Amount Used to Establish Tax Rate</b>                                                                                                        |                       | <b>Notice of Election</b> | <b>\$ 3,841,256</b> | <b>\$ 39,753,981</b> |                 |
| Total Property Assessment                                                                                                                       | \$ 5,601,908,803      |                           |                     |                      |                 |
| Tax Basis per \$100                                                                                                                             | \$ 56,019,088.03      |                           |                     |                      |                 |
| Amount Raised                                                                                                                                   | \$ 115,399,321        | \$ 5,220,979              | \$ 3,921,336        | \$ 40,053,648        |                 |
| Projected Loss to NCC Pool                                                                                                                      | \$ (756,846)          |                           |                     |                      |                 |
| Projected Delinquency                                                                                                                           | \$ (1,783,648)        | \$ (84,515)               | \$ (75,319)         | \$ -                 |                 |
| <b>Projected Net Available</b>                                                                                                                  | <b>\$ 112,858,827</b> | <b>\$ 5,136,464</b>       | <b>\$ 3,846,017</b> | <b>\$ 40,053,648</b> |                 |

# Recommendation

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# Request for Board action

- Questions?
- Recommend approval of the resolution and tax warrant as presented