

FINANCE DEPARTMENT MEMORANDUM

14-06

DATE: March 24, 2014
TO: Mark S. Watson, City Manager
FROM: Janice E. McGinnis, Finance Director
SUBJECT: IMPACT OF SCHOOLS SALES TAX REMITTANCE ON ORHS DEBT

Through the end of fiscal 2011, the Schools remitted sales tax collections to the City for debt service on the high school debt based on county-wide sales in Anderson County. In fiscal 2012, the Schools remitted sales tax collections to the City for debt service on the high school debt based on sales tax collections in Oak Ridge only. Remittances from the Schools stopped through May 2012. There were no remittances from the Schools in fiscal 2013 or 2014.

In fiscal 2012, the City's operating transfer to the Schools was \$14,629,302. Due to the Schools lower sales tax transfer to the City in fiscal 2012, the City reduced the fiscal 2013 operating transfer to the Schools by \$766,470 for a total of \$13,862,832. The \$766,470 reduction represented the amount that had been estimated to be transferred from the Schools for high school debt for fiscal 2013 based on county-wide sales tax collections. The fiscal 2014 transfer to the Schools was budgeted at the lower amount of \$13,862,832. The actual fiscal 2014 transfer to the Schools was increased \$250,000 above budget due to the Maintenance of Effort formula failure.

Outlined below, is a summary of the estimated differences between what the Schools should have remitted based on Oak Ridge only sales tax collections and the City's adjustments to the operating transfer to the Schools. As shown below, the net differential is estimated at \$342,940; whereby the City's reduction to the Schools was \$342,940 more than what would have been remitted to the City from the Schools using sales tax collections generated by Oak Ridge only sales.

	School Estimated Owed	City Adjustments
June 2012	\$ 40,000	\$ -
FY 2013	450,000	766,470
FY 2014	450,000	766,470
MOE Adjustment	-	(250,000)
Total	\$ 940,000	\$ 1,282,940
Net Differential		\$ 342,940

The above sales tax numbers are estimates that will be reviewed in-depth with the School's Director of Business and Support Services at the end of this fiscal year after all sales taxes collections have been remitted from the State for this accounting fiscal year.

From a long term perspective, the differential between using a base of Oak Ridge only sales tax collections and Anderson county-wide sales tax collections through 2041 is estimated at \$10,300,000. This is a very rough estimate due to the number of variable involved, such as sales tax growth rate and percentage allocation split in school enrollment, and the length of time covered.


Janice McGinnis