

RBBCSC Property Tax Error Statement

The 2018 property tax rate for Debt Service for the Richland-Bean Blossom Community School Corporation (RBBCSC) is \$0.728, the 2017 property tax rate was \$0.6109. The reason for the increase in the tax rate was that the Debt Worksheet submitted to the Indiana Department of Local Government Finance (DLGF) contained an error. Our Superintendent, Dr. Mike Wilcox, in preparing the Debt Worksheet, entered an incorrect amount for the bond payments to be made in the first six months of 2019. The Debt Worksheet Report is attached to this Statement.

Dr. Wilcox erroneously reported the 2013 Lease Rental Bond payment for the first six months of 2019 as \$1,224,208 and the Building Lease payment as \$1,375,500 – this was a mistake as the 2013 Lease Rental included parts of the Building Lease payment. The Building Lease line is the total of bonds used to construct Edgewood Primary School and Edgewood Intermediate School. The 2013 Lease Rental was actually a refunding of some of those bonds to take advantage of changes in interest rates. Therefore, the Building Lease line should have been reduced by the 2013 Lease Rental payment, or the 2013 Lease Rental payment should not have been listed separately, but been a part of the \$1,375,500 Building Lease.

This error, when reported to the DLGF, was not questioned by them. According to the DLGF, as long as there was capacity for extra funds in our operating balance, they will collect the extra funds that RBBCSC reports are needed in the Debt Worksheet. In 2017, the total funds for debt service were calculated as \$4,891,524. For 2018, that number rose to \$5,993,473 due to the error, which caused the tax rate increase. Property tax collection will increase by \$1,100,000 more than is necessary for the debt payments to be made. Those increased funds must be used for debt service only – they cannot be used for other purposes.

Once RBBCSC investigated and determined the source of the error, the next step was to determine how to address the extra debt service funds. RBBCSC was advised that we could not stop the collection of the additional debt service funds. RBBCSC is in the process of issuing bonds for the construction of a connection between Edgewood Primary School and Edgewood Intermediate School that will provide classrooms and STEAM maker spaces, renovations of the auditorium at Edgewood High School, and some athletic facilities enhancements. As those bonds have not been issued yet, they were able to be restructured to provide for a large payment at the outset from the extra taxes. Doing so will decrease the amount of interest on the new bonds by \$200,000 and increase the construction budget by \$400,000 because the early payment reduces the need to capitalize interest. Therefore, RBBCSC will be able to use the \$1,100,000 to benefit RBBCSC by \$1,700,000.

In 2019, the RBBCSC property tax rate for debt service will go back to approximately \$0.61. We have worked with our financial advisors to ensure the Superintendent will have the correct amortization schedules for our bonds for future preparation of the Debt Service Worksheet. The Debt Service Worksheet, and other components of the budget, will be brought to the RBBCSC School Board and the public in much more detail than it has in the past; before submittal to the DLGF.

The increase in the Debt Service property tax rate was simply a mistake. The increase was not intentional and it was not related to the new facilities projects as the bonds for those yet to be started projects are not in effect for 2018. The RBBCSC School Board apologizes to our taxpayers for the mistake. It is our hope that the Community will be receptive to our good faith efforts to maximize the value of the \$1,100,000 in extra funds collected to benefit the schools by a sum of over \$1,700,000.

Respectfully,
Dana Robert Kerr, President
RBBCSC School Board