State of Delaware
Office of Auditor of Accounts

Woodbridge School District

March 2011 School Construction Referendum

Special Investigation

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At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review
The Office of Auditor of Accounts received an allegation that the Woodbridge School District deceived the citizens regarding the potential tax rate increase of the approved March 2011 construction referendum.

Background
The Woodbridge School District enrolls approximately 2,200 students from the towns of Bridgeville and Greenwood in Sussex County and Farmington in Kent County. The District's mission is to educate all students to become highly successful, healthy, and contributing citizens in a global society.

This investigation was conducted in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations.*

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Woodbridge School District
March 2011 School Construction Referendum

The Office of Auditor of Accounts (AOA) interviewed Woodbridge School District officials, reviewed the tax rate calculations and supporting documentation, sought advice from the Attorney General's Office regarding the Delaware Code as it relates to school construction referendums, and determined that the District followed the legal requirements for a school referendum.

In the Legal Notices section of the March 23, 2011, edition of the Sussex County Post, the Woodbridge School District advertised the Notice of Special Election and included the legally required tax rate schedule detailing the incremental tax rate change for the proposed bond issuance to fund construction of a new high school. In the same advertisement, the District also included an advertisement that illustrated the effective tax rate that the taxpayers could expect to see implemented subsequent to the issuance of the bond. The additional advertisement accounted for the rate decrease expected from an anticipated retirement of previous bond issuances in conjunction with the rate increase from the proposed bond issuance, which could not be considered compliant with the Notice of Special Election. The additional tax rate table was included in order to inform the public about the expected effective tax rate after all anticipated changes.

AOA's investigation confirmed the District's accuracy of the published calculations, compliance with Notice of Special Election requirements to include the incremental tax rate increase resulting from the proposed bond issuance, and a good faith effort to estimate the real tax rate after the issuance of the new bonds and the retirement of two other bonds in 2013 and 2014.

AOA also included guidance for Delaware School Districts when publishing the incremental tax rate in the Notice of Special Election, in hopes to ensure consistent communication of information to the public during the referendum process.

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Background

Woodbridge School District (the District) employs 314 staff members, including 13 Administrators, and has a School Board made up of 6 members. The District receives funding primarily through State appropriations[1] that are based on the total student enrollment. Additional funding is derived from local and federal funding mechanisms. Local funds are primarily received via the State[2] through county tax structures, which are controlled through local referenda. Federal funds are also received from the State[3]; the amount of federal funding received is based primarily on district-wide poverty census data and the number and type of special education students.

In March 2011, the District held a referendum vote to approve a $14,711,100 bond issuance, through local funding, for the construction of a new high school facility.

When going to referendum, a district is required to publicly advertise a Notice of Special Election detailing the amount to be raised; the proposed rate of taxation; the purpose for the additional taxes: and the date, time, and the place(s) of the election.[4]

In the Legal Notices section of the March 23, 2011, edition of the Sussex County Post, the District advertised the Notice of Special Election and included the required tax rate schedule detailing the incremental tax rate change for the proposed bond issuance as shown at Appendix A. In the same advertisement, the District also included an advertisement that illustrated the effective tax rate that the taxpayers could expect to see implemented subsequent to the issuance of the bond. The additional advertisement accounted for the rate decrease expected from an anticipated retirement of previous bond issuances in conjunction with the rate increase from the proposed bond issuance, which could not be considered compliant with the Notice of Special Election.[5] Rather, it was provided to inform the public about the expected effective tax rate after all anticipated changes.

The conclusion of the allegation is defined as follows:

Substantiated:	The allegation has been verified by competent evidence.
Partially Substantiated:	A portion of the allegation has been verified by competent evidence; however, competent evidence to verify the entire allegation could not be provided by the agency or obtained by AOA.
Unsubstantiated:	Competent evidence was found to dispute the allegation.
Unable to Conclude:	Competent evidence to verify the allegation could not be provided by the agency or obtained by AOA.

[1] The distribution of State funds to the districts is a collaborative effort by both the Department of Education and the Office of Management and Budget.
[2] Each county is responsible for collecting the tax revenue and submitting it to the Office of the State Treasurer, who then distributes the funds to the appropriate districts.
[3] The Department of Education is responsible for distributing all Federal funds to the appropriate districts.
[4] 14 Del. C. §1074
[5] The additional tax rate chart advertised in the March 23, 2011, edition of the Sussex County Post can be found at Appendix B.

Allegation and Conclusion

Allegation - Unsubstantiated

The Office of Auditor of Accounts (AOA) received an allegation that the Woodbridge School District deceived the citizens regarding the potential tax rate increase of the approved March 2011 construction referendum by advertising two different tax rate schedules.

Conclusion

We determined that the intent of a school construction referendum was for the citizens to vote for or against a bond issuance of a certain total dollar amount[6] and its related incremental tax increase. The District's presentation was full disclosure and transparent. The referendum was not to vote on the estimated tax rate schedule based on early retirement of debt but was provided as additional information for taxpayer consideration of the net impact of two separate matters.

When preparing the required Notice of Special Election tax rate schedule, the District correctly calculated the incremental tax rate change based on debt at the current date. According to 14 Del. C. §1074 (b), the District was required to advertise in the Notice of Special Election "the amount of each annual tax increase that would be imposed as a result of the proposed bond issuance"; therefore, this tax rate schedule could not take into consideration the retirement of two bonds in 2013 and 2014 that would help to offset the proposed increase to the tax rate.

The additional schedule provided in the newspaper advertisement was not a legal requirement. The District intended to provide a more realistic picture of the effective tax rate the taxpayers could expect subsequent to the bond sale, as it included the anticipated retirement of previous bond issuances.

Once the referendum passed, the District implemented the effective tax rates advertised in the additional tax rate schedule, rather than the incremental tax rate which caused confusion amongst the taxpayers. We can understand why taxpayers might be confused by the two schedules; however, we believe that the District was trying to be transparent with the additional advertisement. Interviews with District personnel suggested that there was little guidance to assist in the tax rate calculations, and the District looked to another school district that had recently completed a construction referendum for assistance on the calculations.

We contacted the Department of Education and determined there is no guidance to assist the school districts in the preparation of the Notice of Special Election incremental tax rate calculations. As such, we offer the following suggested guidelines for School Districts and the Department of Education regarding the Notice of Special Election incremental tax rate calculations.

- A tax rate table template to be used by all school districts during construction referendums
- An explanation of each column included in the tax rate table template
- A requirement for separate tax rate tables for all bi-county school districts
- A requirement that school districts publish actual tax rates and any adjustments to those tax rates previously advertised in the Notice of Special Election after a referendum has been approved and the bonds have been sold

[6] 14 Del. C. §2004

AOA has constructed an example tax rate table template for the Department of Education's consideration, which is as follows:

Sample Tax Rate Table Template Constructed by AOA[1]

Proposed Tax Increase for Sussex County in Compliance with 14 Del. C. §1074 (b)						
Year	Tax Year	Tax Due Date	Existing School Tax Rate[2]	Estimated Incremental Tax Rate Change for Proposed Bond Issuance[3]	Revised School Tax Rate	% Increase/Decrease in School Tax Rate as a Result of Bond Issuance
1	2012	September 30, 2011	$ 3.281	$ 0.214	$ 3.495	6.52%
2	2013	September 30, 2012	$ 3.495	$ 0.632	$ 4.127	18.08%
3	2014	September 30, 2013	$ 4.127	$ 0.194	$ 4.321	4.70%
4	2015	September 30, 2014	$ 4.321	$ (0.024)	$ 4.297	-0.56%
5	2016	September 30, 2015	$ 4.297	$ (0.023)	$ 4.274	-0.54%

Proposed Tax Increase for Kent County in Compliance with 14 Del. C. §1074 (b)						
Year	Tax Year	Tax Due Date	Existing School Tax Rate[2]	Estimated Incremental Tax Rate Change for Proposed Bond Issuance[3]	Revised School Tax Rate	% Increase/Decrease in School Tax Rate as a Result of Bond Issuance
1	2012	September 30, 2011	$ 1.209	$ 0.061	$ 1.270	5.05%
2	2013	September 30, 2012	$ 1.270	$ 0.209	$ 1.479	16.46%
3	2014	September 30, 2013	$ 1.479	$ 0.068	$ 1.547	4.60%
4	2015	September 30, 2014	$ 1.547	$ (0.009)	$ 1.538	-0.58%
5	2016	September 30, 2015	$ 1.538	$ (0.008)	$ 1.530	-0.52%

[1] AOA only calculated the incremental tax rate change for the first five years of the bond, as this is for example purposes only. However, the districts should present the incremental tax rate change for the entire life of the bond.
[2] Per $100 of assessed value
[3] The incremental tax rate change was calculated based on the assumption that the interest rate at the time of each bond sale will be 3.88% and the yearly increase in assessed value of property in the county will be 0%.

We believe that these guidelines will promote consistency among the school districts, while providing the public with more transparent information as it relates to the possible tax effects of a construction referendum. Further, we believe the Department of Education could work with the General Assembly's Office of the Registrar of Regulations in order to codify these guidelines.

Appendix A

Notice of Special Election Tax Rate Chart Advertised by the Woodbridge School District

WOODBRIDGE ANNUAL TAX INCREASE CHART AUTHORIZED BY REFERENDUM

The table below outlines the additional tax rate and total tax rate per $100 assessed value for the life of the bonds to be authorized by this referendum. To determine the dollar amount of additional tax (for each year) that will result from the passage of the referendum, multiply the assessed value (not market value) of your home by the tax rate and divide by 100.

Tax Calculation for CN 1235A

Year	Tax Year (Taxes Due 9/30)	Sussex Co. Existing *Tax Rate	Sussex Co. Additional Tax Rate	Sussex Co. Total Tax Rate	Kent Co. Existing *Tax Rate	Kent Co. Additional Tax Rate	Kent Co. Total Tax Rate
1	2012**	$3.281	$0.214	$3.495	$1.209	$0.061	$1.270
2	2013**	$3.281	$0.846	$4.127	$1.209	$0.270	$1.479
3	2014**	$3.281	$1.040	$4.321	$1.209	$0.338	$1.547
4	2015	$3.281	$1.016	$4.297	$1.209	$0.329	$1.538
5	2016	$3.281	$0.993	$4.274	$1.209	$0.321	$1.530
6	2017	$3.281	$0.971	$4.252	$1.209	$0.314	$1.523
7	2018	$3.281	$0.948	$4.229	$1.209	$0.305	$1.514
8	2019	$3.281	$0.924	$4.205	$1.209	$0.297	$1.506
9	2020	$3.281	$0.901	$4.182	$1.209	$0.289	$1.498
10	2021	$3.281	$0.878	$4.159	$1.209	$0.281	$1.490
11	2022	$3.281	$0.855	$4.136	$1.209	$0.273	$1.482
12	2023	$3.281	$0.832	$4.113	$1.209	$0.265	$1.474
13	2024	$3.281	$0.809	$4.090	$1.209	$0.257	$1.466
14	2025	$3.281	$0.786	$4.067	$1.209	$0.250	$1.459
15	2026	$3.281	$0.764	$4.045	$1.209	$0.242	$1.451
16	2027	$3.281	$0.739	$4.020	$1.209	$0.234	$1.443
17	2028	$3.281	$0.717	$3.998	$1.209	$0.225	$1.434
18	2029	$3.281	$0.694	$3.975	$1.209	$0.218	$1.427
19	2030	$3.281	$0.671	$3.952	$1.209	$0.210	$1.419
20	2031	$3.281	$0.648	$3.929	$1.209	$0.202	$1.411
21	2032	$3.281	$0.508	$3.787	$1.209	$0.155	$1.364
22	2033	$3.281	$0.126	$3.407	$1.209	$0.035	$1.244
23	2034	$3.281	$0.000	$3.281	$1.209	$0.000	$1.209

The assumptions used in the above calculations are as follows:

Interest Rate at Time of Each Bond Sale = 3.88%

Yearly Increase in Assessed Value of Property in Sussex & Kent County = 0%

Net total tax effect to be adjusted by previous bond payment completions and rates of other taxing categories.

** - Represents a three year phase in.

Appendix B

Additional Tax Rate Chart Advertised by the Woodbridge School District

§ 1077. Qualified voters
Every citizen 18 years of age or over and a resident of the reorganized school district shall be eligible to vote at the school election in the reorganized school district in which that citizen resides, whether or not that citizen is at the time a registered voter for purposes of a general election.

Proposed Grade Reconfiguration Pattern to a Four School District
Woodbridge Elementary School – Pre-K – 2
Current Phillis Wheatley Middle School – 3, 4, 5
Current Woodbridge High School – 6, 7, 8
Proposed Woodbridge High School of Arts and Sciences – 9, 10, 11, 12

Enrollment Data

Year	# of Students
1997	1,739
2010	2,179
2011 (Projected)	2,253

Based on Actual September 30, 2010 Enrollment

Proposed Grade Level Configurations

Building	Grade	# of Students
WES	Pre-K – 2	559
PWS	3 – 5	554
WMS	6 – 8	495
WHS	9 – 12	571
TOTAL		2,179

Anticipated Net Tax Rate over the Bond Note (20 years)

Year	Sussex Co. Existing *Tax Rate	Sussex Co. Additional Tax Rate	Sussex Co. Total Tax Rate	Sussex Co. % Increase/ Decrease	Kent Co. Existing *Tax Rate	Kent Co. Additional Tax Rate	Kent Co. Total Tax Rate	Kent Co. % Increase/ Decrease
1	$3.281	$0.201	$3.482	6.12%	$1.209	$0.076	$1.285	6.28%
2	$3.482	$0.242	$3.724	6.95%	$1.285	$0.087	$1.372	6.77%
3	$3.724	$0.000	$3.724	0%	$1.372	$0.000	$1.372	0%
4	$3.724	$0.000	$3.724	0%	$1.372	$0.000	$1.372	0%
5	$3.724	$(.026)	$3.698	(.0099%)	$1.372	$(.009)	$1.363	(.0099%)

The assumptions used in the above calculations are as follows:

Interest Rate at Time of Each Bond Sale = 3.88%
Yearly Increase in Assessed Value of Property in Sussex & Kent County = 0%
Net total tax effect to be adjusted by previous bond payment completions and rates of other taxing categories.

Example of Tax Effect in Year One

Assessment Value	Market Value	Tax Increase
$ 4,950.00 (Sussex) $13,425.00 (Kent)	$ 75,000.00	$ 9.95 (Sussex) $10.21 (Kent)
$ 9,900.00 (Sussex) $26,850.00 (Kent)	$150,000.00	$19.90 (Sussex) $20.41 (Kent)
$14,850.00 (Sussex) $40,275.00 (Kent)	$225,000.00	$29.85 (Sussex) $30.61 (Kent)