

LEGAL DEPARTMENT MEMORANDUM
13-11

DATE: March 8, 2013
TO: Honorable Mayor and Members of City Council
FROM: Kenneth R. Krushenski, City Attorney
SUBJECT: UPDATE – SALES TAX DISBURSEMENTS TO THE CITY OF OAK RIDGE
– OAK RIDGE HIGH SCHOOL CONSTRUCTION/RENOVATION PROJECT

This Memorandum is an update on the following Memoranda distributed to Council in 2012:

- Legal Department Memorandum 12-03, dated January 26, 2012
- Legal Department Memorandum 12-05, dated January 30, 2012
- Legal Department Memorandum 12-31, dated May 3, 2012
- Legal Department Memorandum 12-35, dated June 1, 2012


Since the last Legal Department Memorandum, dated June 1, 2012, nothing has occurred to change the opinion in Legal Department Memorandum 12-03 that stated:

“...Anderson County's decision to supersede the City of Oak Ridge's Sales Tax Increase Referendum did not create a new revenue source but only resulted in a re-distribution of the taxes that were created as a result of the City's August 2004 Referendum. [Former] Superintendent Bailey realized the obligation to pay off the debt in a statement he gave to *The Oak Ridger* on June 5, 2006. (See Exhibit E to Legal Department Memorandum 12-03).”

The opinion in Legal Department Memorandum 12-03, page 2, goes on to further state:

“The money that schools are receiving is still characterized as “sales tax.” It should not be considered a financial “windfall” to the schools to use as they see fit. Any attempt by either the City of Oak Ridge or the Oak Ridge City Schools to use the proceeds of the .5% sales tax increase for any other purpose other than to pay off the debt on the High School Construction Project would run contrary to the Referendum Question approved by the City of Oak Ridge voters in the August 2004 election. The use of this sales tax money to fund the High School construction debt was an obligation imposed on both the City of Oak Ridge and the Oak Ridge Schools by the Voters in that election.”

The Funding Model prepared by the City (See Exhibit H, Legal Department Memorandum 12-03) was presented to City Council, the School Board and the citizens at a Public Meeting held at the Oak Ridge High School on May 12, 2004. It was discussed at a Special Called Meeting of the Board of Education on November 22, 2005 (See Exhibit C, Legal Department Memorandum 12-31). The City received no objections to the Funding Model from the School Board, and in reliance on the fact that there were no objections to the City's Funding Model and financial plan, the City issued Bonds to pay for the construction/renovation of the Oak Ridge High School building.



Kenneth R. Krushenski

Attachments