

Shelby County Board of Education, AL

- 1 County Board of Education of Shelby County, Alabama, Public School Warrants, Series 2016, \$36,700,000, Dated: May 4, 2016
- 2 County Board of Education of Shelby County, Alabama, Capital Outlay School Warrants (Ten Mill County Tax), Series 2011, \$117,070,000, Dated: October 18, 2011
- 3 County Board of Education of Shelby County, Alabama, Capital Outlay School Warrants (Ten Mill County Tax), Series 2009, \$68,050,000, Dated: April 9, 2009
- 4 County Board of Education of Shelby County, Alabama, Special Tax School Warrants, Series 2006, \$50,000,000, Dated: March 1, 2006

THE BOARD

Series 2011, 2009, 2006

General- Board Members

Fiscal Year Ended September 30, 2016

<u>Name and Office</u>	<u>Date of Ending of Current Term</u>	<u>Present Business or Professional Affiliation</u>
Hon. Aubrey Miller- President	2020	YMCA of Greater Birmingham
Hon. Peg Hill - Vice-President	2020	Retired Educator
Hon. Jane Hampton - Member	2020	Retired Educator
Hon. Jimmy Bice - Member	2018	Retired Educator
Hon. Kevin W. Morris - Member	Resigned 2/13/2017	Banking Industry

Series 2011, 2009, 2006

School System

Fiscal Year Ended September 30, 2016

The Board currently maintains an approximately 13 to 1 pupil -teacher ratio and operates 15 elementary/intermediate schools, 13 middle and high schools, a special needs school and a College and Career Center.

Series 2016, 2011, 2009, 2006

Enrollment

<u>Year</u>	<u>Total Enrollment</u>
2015-2016	20,168.00

Series 2011, 2009, 2006

Employees and Employee Relations

Fiscal Year Ended September 30, 2016

The Board now employs approzimately 2678 persons, of whom approximately 63% work in the instructional program of the schools.

No employees of the Board are represented by labor unions or similar employee organizations. The Board does not bargain collectively with any labor union or employee organization. The Board has neve rexperienced a strike, boycott, or other work stoppage and no such work stoppage is threatened.

AEA represents individual teachers in tenure and contract disputes with the Board, but does not bargain with the Board on behalf of teachers with respect to salaries or compensation; however, AEA does actively represent teachers at the State level, where minimum salaries are determined.

Retirement System

Fiscal Year Ended September 30, 2016

Employees of the Board are participants of the Teachers Retirement System of Alabama, which was established by act of the Alabama Legislature. The Board is required to deduct from each employee's paycheck an amount or percentage specified by the State Board of Control, which administers the Retirement System, and to transmit to the Board of Control each month the amount deducted. The State of Alabama by annual appropriation by the Legislature contributes a like amount which is remitted by the Board to the teacher's retirement system on the employee's behalf.

Series 2011, 2009, 2006

General Financial Information

Fiscal Year Ended September 30, 2016

The Board operates on a Fiscal Year beginning October 1 and ending September 30.

At the beginning of each Fiscal Year the Board is required to submit a proposed budget for approval by the State Department of Education. The Boad does not expect any significant adverse change in total budgeted receipts and expenditures.

At the end of each Fiscal Year the Board is required to file an unaudited financial statement with the State Department of Education on forms provided by the State Board. Under Alabama law the Board is audited by the Department of Examiners of Public Accounts of the State of Alabama and has no authority to obtain an audit by an independent accountant. The last audit for the Board was for Fiscal Year 2015.

State Revenues

The Board receives the largest share of its annual revenue from the State of Alabama. The Alabama Legislature makes an annual appropriation of funds for education purposes in the State. These funds are distributed from the Foundation Program Fund by calculating the total cost of the Foundation Program for each local board of education and subtracting the local effort required of each board from such total cost. For details on the Foundation Program Fund, see "Distribution of County-Wide Taxes; The Foundation Program Fund" hereinafter. The total cost of each Board's Foundation Program is calculated by adding the total cost of teachers' salaries, fringe benefits, classroom instructional support and other current expenses. Foundation Program funds are restricted for instructional programs, but the State periodically makes special grants from annual State revenues or State bond issues for capital improvement purposes. None of the State revenues are available to pay debt service on long-term obligations of the Board. In order to participate in the Foundation Program, under which the majority of State revenues are distributed, the Board must receive local taxes equivalent to 10 mills of ad valorem taxes. The Board presently meets this requirement.

During a number of prior years, state appropriations for educational purposes have been projected to exceed state revenues dedicated for this purpose, and the Governor has ordered a prorated reduction in the distribution to each school system. No assurance may be given that proration will not continue in future fiscal years.

Federal Revenues

The Board receives Federal money each year for various education programs. Most of these programs are for vocational or special education purposes, and the Federal funds are restricted to the designated purpose.

Local Revenues: County-wide Ad Valorem Taxes

The following ad valorem school taxes are levied in all of Shelby County, Alabama. The Board receives each fiscal year its apportioned share of the proceeds of such taxes as described below in "Distribution of County-wide Ad Valorem Taxes; The Foundation Program".

1-Mill Countywide Ad Valorem Tax

Pursuant to Section 269 of the Alabama Constitution, and elections held in the County on June 7, 1988 and February 8, 2011, the Shelby County Commission levies an ad valorem school tax in the County at the rate of 1 mill (\$0.10 on each \$100 worth of taxable property in the County) for the support of public schools in each fiscal year until and including the fiscal year beginning October 1, 2040 and ending September 30, 2041 (the tax for which year to be due and payable on October 1, 2041). An extension of such tax will require an election.

5-Mill Countywide Ad Valorem Tax

Pursuant to Amendment No. 202 to the Alabama Constitution, and elections held in the County on June 7, 1988, November 13, 2001, and February 8, 2011, the Shelby County Commission levies an ad valorem school tax in the County at the rate of 5 mills (\$0.50 on each \$100 worth of taxable property in the County) for educational purposes in each fiscal year until and including the fiscal year beginning October 1, 2040 and ending September 30, 2041 (the tax for which year to be due and payable on October 1, 2041). An extension of such tax will require an election.

10-Mill County-Wide Ad Valorem Tax

Pursuant to Amendment No. 3, and proceedings under Amendment No. 373, to the Alabama Constitution, and elections held in the County on October 10, 1989 and February 8, 2011, the Shelby County Commission levies an ad valorem school tax in the County at the rate of 10 mills (\$1.00 on each \$100 worth of taxable property in the County) for public school purposes in each fiscal year until and including the fiscal year beginning October 1, 2040 and ending September 30, 2041 (the tax for which year to be due and payable on October 1, 2041). An extension of such tax will require an election.

Local Revenues: School Tax District Ad Valorem Taxes

Shelby County, Alabama is divided into five independent school tax districts, one of which is under the jurisdiction of the Board and four of which are under the jurisdiction of separate city boards of education. A portion of the area within the corporate limits of each of the cities of Birmingham, Hoover, Leeds and Vestavia Hills lies within the County. Each of such cities has an independent city school system, and therefore the area within the corporate limits of each city, including that part of such area within the County, constitutes a separate school tax district for purposes of school district ad valorem taxation. The school district ad valorem taxes levied in each district are the exclusive property of such district and the school system having jurisdiction therefor.

The Board has established School Tax District No. 2 in the County, which district is under the exclusive jurisdiction of the Board. For purposes of school district ad valorem taxation, School Tax District No 2 consists of:

(a) for the period ending with the fiscal year October 1, 2016 to September 30, 2017, all of Shelby County, Alabama outside the corporate limits of the cities of Birmingham, Hoover, and Vestavia Hills, Alabama, and

(b) for the period beginning with the fiscal year October 1, 2017 to September 30, 2018 and ending with the fiscal year October 1, 2040 to September 30, 2041, all of Shelby County, Alabama outside the corporate limits of the cities of Birmingham, Hoover, Leeds and Vestavia Hills, Alabama.

The following ad valorem school taxes are levied in School Tax District No. 2 for the benefit of the Board. The Board receives each fiscal year all of the proceeds of such taxes.

3-Mill School Tax District No. 2 Ad Valorem Tax

Pursuant to Amendment No. 382 to the Alabama Constitution, and elections held in School Tax District No. 2 on November 13, 2001 and February 8, 2011, the Shelby County Commission levies an ad valorem school tax in the District at the rate of 3 mills (\$0.30 on each \$100 worth of taxable property in the District) for public school purposes in each fiscal year until and including the fiscal year beginning October 1, 2040 and ending September 30, 2041 (the tax for which year to be due and payable on October 1, 2041). An extension of such tax will require an election.

11-Mill School Tax District No. 2 Ad Valorem Tax

Pursuant to Amendment No. 3, and proceedings under Amendment No. 373, to the Alabama Constitution, and elections held in School Tax District No. 2 on May 27, 1997 and February 8, 2011, the Shelby County Commission levies an ad valorem school tax in the District at the rate of 11 mills (\$1.10 on each \$100 worth of taxable property in the District) for public school purposes in each fiscal year until and including the fiscal year beginning October 1, 2040 and ending September 30, 2041 (the tax for which year to be due and payable on October 1, 2041). An extension of such tax will require an election.

Local Revenues: County Sales and Use Tax

Pursuant to Act No. 81-461 of the 1981 Alabama Legislature, as amended by Act No. 96-505 of the 1996 Alabama Legislature (the "Act"), the Legislature of Alabama has levied, and the Alabama Department of Revenue administers and collects, privilege license and excise taxes (commonly called sales and use taxes) (collectively the "County Sales and Use Tax") which consist of (i) a privilege or license (commonly called sales) tax on persons engaged in the business of selling at retail in the County any tangible personal property or in the business of conducting places of amusement or entertainment in the County, generally measured by the gross receipts of such businesses and (ii) an excise (commonly called a use) tax on the storage, use or other consumption of tangible personal property in the County, generally measured by the sales price of the property. The general rate for the privilege license tax is 1% of the gross receipts or sales price; however, the rate is 3/8% for mining equipment, motor vehicles, trailers and property sold in vending machines. The excise or use tax complements the Sales Tax and applies only where property placed in use in the County was not purchased in a retail sale in which the Sales Tax was collected. The exemptions and the procedure for assessment and collection under the statewide sales and use tax statutes are incorporated by reference in the Act. The Act provides that the County Sales and Use Tax shall be levied and collected for the period beginning May 8, 1981 without limitation as to the duration of the period of levy and collection of the County Sales and Use Tax. The Act provides that the proceeds of the County Sales and Use Tax shall be paid over by the County within ten (10) days after their receipt as follows:

(a) Fifty percent (50%) shall be paid over to the county board of education (the "Board" herein) and to the various city boards of education, if any, based on the ratio of the number of students in the public schools in any school system for the school year to the number of students in the public schools of the entire county of the school year; and

(b) Fifty percent (50%) shall be paid over to the County for general purposes and uses.

A portion of the County Sales and Use Tax is paid to the boards of education of the cities of Birmingham, Hoover, Leeds and Vestavia Hills. The Board receives approximately 89% of the proceeds of the County Sales and Use Tax.

The Act does not specifically provide for any redefinition of the distribution of, or any redistribution of, the proceeds of the County Sales and Use Tax. The Alabama Legislature may, however, make such amendments to the Act, including changes in the allocation of the proceeds of the County Sales and Use Tax, as may be necessary to enable the County to raise revenues to perform its governmental functions.

If additional municipal boards of education are established in the County, a portion of the County Sales and Use Tax proceeds would be allocated to them as more particularly discussed hereinbefore under "Distribution of County-Wide Taxes" and the Board's portion of County Sales and Use Tax proceeds would be correspondingly reduced.

Local Revenues: County Beer Tax

Pursuant to Act No. 82-344 of the 1982 Regular Session of the Alabama Legislature a sales tax is levied on the sale of beer in the County. The tax is unlimited in duration. The County collects the tax and the proceeds remaining after the expenses of administering and enforcing the tax are disbursed as follows: 2/9 to the Board, 1/3 to the municipalities in the County, 2/9 to the County law enforcement personnel board fund and 2/9 to the general fund of the County.

Series 2016, 2011, 2009, 2006

Major Sources of Revenue

Annual Receipts	FY 2015-2016
State Revenues	107,556,732.02
Federal Revenues	12,021,938.91
Local Taxes:	
The Special Tax	9,279,929.77
County-wide 10-mill	19,191,809.60
County-wide 4-mill	7,633,140.04
County-wide 1-mill (Am. 202)	1,908,285.01
County-wide 1-mill (& 269)	1,913,233.95
District 11-mill	18,876,946.29
District 3-mill	5,169,455.71
County beer tax	227,434.71

Series 2011, 2009, 2006

Distribution of County-Wide Taxes; The Foundation Program Fund

Fiscal Year Ended September 30, 2016

The proceeds of county-wide ad valorem taxes are distributed among the Board and city boards of education in the County on the same basis as state educational funds recieved from the State Foundation Program Fund, as discussed below. For the 2015-2016 fiscal year, the State Superintendent of Education advised that the percentage distribution of county-wide school taxes is to be 61% to the Board, 11% to the Hoover City Board of Education, 18% to the Alabaster City Board of Education, and 10% to the Pelham City Board of Education. No other city board of education in the County currently has enough students in the County to qualify to receive any proceeds of any county-wide ad valorem taxes. While the Board has no way of predicting with certainty its percentage share of county-wide taxes in the future, the Board does not expect its percentage share to vary significantly unless additional territory is annexed into a municipality with its own city school system, or unless other municipalities having the right to do so, such as Helena Chelsea, and Calera establish their own city school systems.

The Foundation Program Fund was established by the Alabama Legislature for the purpose of equalizing educational opportunities in the various school systems of the State. Pursant to a complex formula established by statute and regulations of the State Board of Education, State educational funds are distributed to the various counties in amounts needed to fund the costs of establishing a foundation program of teacher's salaries , transportation, current expenses and capital outlay in each county for a standard school term. The amount allocated to each county is based on the particular needs of each county determined in part by the number of students enrolled and the relative financial ability of such county to provide such foundation educational program. In general, the allocation of State funds to a particular county will increase as the relative number of students enrolled increases or as the relative financial ability of such county decreases. In counties where city school systems are operating, the funds allocated for such counties are distributed among the county and city school systems on the same basis or formula as funds are distributed by the State among the various counties.

Series 2016, 2011, 2009, 2006

Historical Revenues and Expenditures

Fiscal Year Ended September 30, 2016

Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds				
REVENUES	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
State	101,740,426.02		5,816,306.00	107,556,732.02
Federal	139,626.96	11,882,311.95		12,021,938.91
Local	57,987,147.81	16,557,972.29	13,217,543.55	87,762,663.65
Other	260,096.64	526,800.96	14,553.01	801,450.61
TOTAL REVENUES	160,127,297.43	28,967,085.20	19,048,402.56	208,142,785.19
EXPENDITURES				
Current:				
Instruction	94,497,606.09	11,689,584.37		106,187,190.46
Instructional Support,	29,867,931.11	3,059,986.41		32,927,917.52
Operation and Maintenance	17,661,719.35	1,023,456.16	31,144.87	18,716,320.38
Auxiliary Services:				-
Transportation,	12,180,124.91	608,208.05		12,788,332.96
Food Services		11,851,296.57		11,851,296.57
General Administration and Central Support	3,702,196.71	330,524.45		4,032,721.16
Capital Outlay	421,492.52	1,493,824.47	3,795,844.53	5,711,161.52
Debt Service:				-
Principal Retirement,	1,622.39	113,364.15	8,657,486.74	8,772,473.28
Interest and Fiscal Charges	129.61	12,305.02	8,201,470.79	8,213,905.42
Other Debt Service		2,088.94	474,339.59	476,428.53
Other	2,790,111.46	468,458.73		3,258,570.19
TOTAL EXPENDITURES	161,122,934.15	30,653,097.32	21,160,286.52	212,936,317.99
Excess (Deficiency) of Revenues Over Expenditures	(995,636.72)	(1,686,012.12)	(2,111,883.96)	(4,793,532.80)
OTHER FINANCING SOURCES (USES)				
Indirect Cost	1,120,857.55			1,120,857.55
Long-Term Debt Issued		33,671.23	38,116,222.78	38,149,894.01
Premiums on Long-Term Debt Issued			5,718,885.89	5,718,885.89
Transfers In	1,983,174.38	4,093,018.44		6,076,192.82
Other Financing Sources	185,450.00	31,000.07		216,450.07
Sale of Capital Assets	17,015.00	1,564.00		18,579.00
Transfers Out	(4,093,018.44)	(1,983,174.38)		(6,076,192.82)
Discounts on Long-Term Debt Issued			(6,934.38)	
Payments to Refunding Escrow Agent			(37,145,412.81)	(37,145,412.81)
TOTAL OTHER FINANCING SOURCES (USES)	(786,521.51)	2,176,079.36	6,682,761.48	8,072,319.33
Net Change in Fund Balances	(1,782,158.23)	490,067.24	4,570,877.52	3,278,786.53
Fund Balances at Beginning of Year	11,582,864.01	9,064,482.68	3,893,470.24	24,540,816.93
Fund Balances at End of Year	9,800,705.78	9,554,549.92	8,464,347.76	27,819,603.46

Series 2011, 2009, 2006

Short Term Debt

Fiscal Year Ended September 30, 2016

No Defaults on Indebtedness
The Board has never defaulted in the payment of debt service on its indebtedness.
Short Term Debt
The Board has no short-term indebtedness outstanding.
Anticipated Indebtedness
The Board has no authorized but unissued debt outstanding.
Long-Term Debt
The following table sets forth the long term indebtedness of the Board that will be outstanding following the issuance of the Warrants:

Series 2016, 2011, 2009, 2006

Long-Term Debt

Fiscal Year Ended September 30, 2016

Series Resignation	Source of Payment	Final Maturity	Principal Outstanding	
2016	Special Tax (Sales & Use Tax)	2/1/2031	36,700,000.00	
2011	Ten Mill County ad valorem Tax	2/1/2041	113,650,000.00	
2009	Ten Mill County ad valorem Tax	2/1/2018	7,590,000.00	
2006	Special Tax (Sales & Use Tax)	2/1/2031	635,000.00	
2011 LSA	One Mill ad valorem Tax	2/1/2026	247,362.91	
2014 LSA	One Mill ad valorem Tax	2/1/2025	320,194.89	
2008-A	PSF Capital Purchase Funds	2/1/2028	327,383.20	
2008-B	PSF Capital Purchase Funds	2/1/2028	215,888.83	
2008-C	PSF Capital Purchase Funds	2/1/2028	64,703.10	
2009-B	PSF Capital Purchase Funds	5/1/2019	2,395,750.47	
2009-C	PSF Capital Purchase Funds	5/1/2029	366,977.41	
2009-D	PSF Capital Purchase Funds	12/15/2025	774,777.59	
2011A	PSF Capital Purchase Funds	5/1/2026	852,598.77	
2011B	PSF Capital Purchase Funds	5/1/2021	2,751,578.27	
2012A	PSF Capital Purchase Funds	3/1/2024	2,522,498.30	
2013D	PSF Capital Purchase Funds	9/1/2033	2,489,265.53	
2014A	PSF Capital Purchase Funds	1/1/2026	7,843,857.43	
2015B	PSF Capital Purchase Funds	5/1/2029	5,499,363.22	
2016A	PSF Capital Purchase Funds	6/1/2036	1,416,222.78	
2011	Public Funds	10/30/2016	428.44	Capital Lease
2013	Public Funds	9/1/2017	6,154.37	Capital Lease
2014	Public Funds	6/1/2017	121.10	Capital Lease
2015	Public Funds	6/1/2018	3,670.99	Capital Lease
2016	Public Funds	7/1/2019	4,430.55	Capital Lease
2014	Public Funds	2/1/2017	3,085.37	Capital Lease
2015	Public Funds	5/1/2019	10,022.20	Capital Lease
2014	Public Funds	7/1/2017	49,525.62	Capital Lease
2014	Public Funds	2/1/2017	2,490.14	Capital Lease
2015	Public Funds	9/1/2018	1,565.87	Capital Lease
2014	Public Funds	7/1/2017	2251.63	Capital Lease
2016	Non Public Funds	7/1/2019	26667.24	Capital Lease
Total			186,773,836.22	

Series 2016, 2011, 2009, 2006

Debt Service Requirements

Fiscal Year Ending September 30	Principal	Interest	Other Indebtedness (LSA 2011,2014, QSCB, QZAB)	PSCA Loans	Total Debt Service
2017	8,605,580.71	8,270,805.60	128,846.80	3,926,635.10	17,005,233.11
2018	9,382,065.05	7,923,047.71	128,846.80	3,924,637.55	17,433,959.56
2019	9,749,312.47	7,533,443.63	128,846.80	3,621,598.64	17,411,602.90
2020	10,231,880.34	7,091,005.29	128,846.80	3,659,592.80	17,451,732.43
2021	10,680,120.83	6,631,912.19	128,846.80	3,658,668.32	17,440,879.82
2022	9,492,254.37	6,154,506.69	128,846.80	2,584,677.61	15,775,607.86
2023	9,628,182.49	5,680,051.40	128,846.80	2,249,500.44	15,437,080.69
2024	10,118,826.60	5,191,178.31	128,846.80	2,249,246.46	15,438,851.71
2025	10,334,971.89	4,684,441.35	128,846.80	2,133,029.79	15,148,260.04
2026	11,431,707.64	4,207,717.99	71,200.53	2,745,419.74	15,710,626.16
2027	10,160,870.99	3,760,054.11		1,004,637.59	13,920,925.10
2028	10,631,191.13	3,293,689.15		1,004,980.27	13,924,880.28
2029	10,735,155.44	2,794,616.75		607,222.18	13,529,772.19
2030	10,935,201.78	2,286,545.54		299,425.44	13,221,747.32
2031	11,434,967.72	1,780,241.68		299,784.40	13,215,209.40
2032	2,825,137.21	1,466,380.48		299,555.19	4,291,517.69
2033	2,950,871.66	1,337,782.26		299,253.92	4,288,653.92
2034	2,876,525.42	1,201,398.18		99,773.60	4,077,923.60
2035	3,014,188.86	1,063,306.24		99,920.10	4,077,495.10
2036	3,161,852.30	915,329.00		96,856.30	4,077,181.30
2037	3,215,000.00	766,050.00			3,981,050.00
2038	3,370,000.00	609,500.00			3,979,500.00
2039	3,535,000.00	445,325.00			3,980,325.00
2040	3,705,000.00	273,162.50			3,978,162.50
2041	3,890,000.00	92,525.00			3,982,525.00
Total	186,095,864.90	85,454,016.05	1,230,821.73	34,864,415.44	272,780,702.68

Ad Valorem Taxation

Fiscal Year Ended September 30, 2016

Ad Valorem Taxation

There follows general information on ad valorem taxation in the County and the State of Alabama.

General

The levy and collection of ad valorem taxes in Alabama are subject to the Alabama Constitution, which, among other things, fixes the percentages of market value at which property can be assessed for taxation, limits the tax rates that can be levied against property and places a ceiling on the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year. The amount of an ad valorem tax in Alabama is computed by multiplying the applicable tax rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage (the “assessment ratio”) of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are stated in terms of mills per dollar of assessed value. Each mill represents a tax equal to one-tenth of one percent of the assessed value of such property.

Classification of Taxable Property

Amendment No. 373 to the Alabama Constitution divides all taxable property into the following four classes valued for taxation according to the assessment ratios shown below:

Class I All property owned by utilities 30%

Class II All property not otherwise classified 20%

Class III All agricultural, forest and single-family, owner-occupied residential property and historic buildings and sites 10%

Class IV Private passenger automobiles and pickup trucks owned and operated by an individual for personal or private use 15%

Amendment No. 373 permits the owner of Class III property to elect to have such property appraised at its "current use value" rather than its "fair and reasonable market value." "Current use value" has been defined statutorily as the value of such property based on the use being made of it on December 1 of the preceding year, without taking into consideration the prospective value such property might have it if were put to some other possible use.

Assessment Ratio Adjustment

The Alabama Legislature has no power to adjust assessment ratios pertaining to local (as distinguished from state) taxes but does have the power to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of any county, municipality or other local taxing authority may increase or decrease the assessment ratio with respect to any class of property subject to the following conditions: (i) the governing body of such county, municipality or other taxing authority must hold a public hearing on the proposed adjustment before authorizing the adjustment, (ii) the Legislature must adopt an act approving the adjustment, and (iii) a majority of the electors of such county, municipality or other taxing authority must approve the adjustment in a special election. In addition, the Legislature has placed the following restrictions on the adjustment of assessment ratios:

(1) If the total assessed value of all property of a single class located within a taxing authority's jurisdiction exceeds 50% of the total assessed value of all taxable property located within the jurisdiction of such authority, then the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class;

(2) If the total assessed value of all properties of a single class located within the jurisdiction of a local taxing authority is less than 20% of the total assessed value of all taxable property located within such jurisdiction, then the assessment ratio with respect to that class of property may be increased by no more than 5% from the ratio otherwise prescribed for such class; and

(3) If the total assessed value of all property of a single class located within the jurisdiction of a local taxing authority exceeds 75% of the total assessed value of all taxable property located within such jurisdiction, then (i) the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class, and (ii) the prospective assessment ratio for all other classes of property may be increased by no more than 5% from the ratio otherwise prescribed for such classes. The governing body of the Board has not sought to adjust the assessment ratio applicable to any class of taxable property nor does the Board have any present plan for any such adjustment.

Rate Adjustments

Amendment No. 373 authorizes any county, municipality or other local taxing authority to decrease any ad valorem tax at any time, provided that such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax. Amendment No. 373 also permits a county, municipality or other local taxing authority to increase the rate at which any ad valorem tax is levied, but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed increase before authorizing the increase, (ii) the Legislature adopts an act approving the increase, and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approves the increase in a special election.

Ceiling on Ad Valorem Taxes

Amendment No. 373 also limits the total amount of state, county, municipal and other ad valorem taxes that may be imposed on any class of property in any one tax year. This limitation is expressed in terms of a specific percentage of the fair and reasonable market value of such property. The applicable percentages to the four classes of property are as follows:

Class I - 2%

Class II - 1.5%

Class III - 1%

Class IV - 1.25%

If the total amount of tax otherwise payable with respect to a class of property would exceed the maximum tax limit, the millage rate of each separate tax to which such property is subject must be reduced in the same proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all applicable taxing authorities. This provision becomes operative as to the several classes of property only if the total tax rate exceeds the following:

Class I - 66 mills

Class II - 75 mills

Class III - 100 mills

Class IV - 83 mills

Homestead Exemption

Prior to 1982, Alabama law did not provide a homestead exemption which reduced the assessed valuation of owner-occupied, single-family residential property for purposes of municipal taxation, except in the case of persons who were totally disabled or who were 65 years of age or older and had an annual taxable income of \$7,500 or less. Reacting to the increase in ad valorem taxes which was anticipated to result from the statewide property reappraisal program conducted during 1982, the Legislature of Alabama in 1982 enacted a law which authorized the governing body of any municipality, county or other local taxing authority to grant by resolution or ordinance a homestead exemption which, when added to any other homestead exemption applicable to the same ad valorem tax levy, will not exceed \$4,000 in assessed value or 160 acres in area. Since no other homestead exemptions for purposes of municipal taxation are provided by existing law except in the special cases of persons who are totally disabled or who are 65 years of age or older, the effect of this law was to empower the governing body of any county to reduce at any time the assessed value of owner-occupied, single-family residential property located in such municipality by up to \$4,000 per housing unit.

Significant Property Tax Litigation

The levy, assessment and collection of ad valorem taxes in the State of Alabama have, since 1970, been subject to significant litigation, which has resulted in substantial changes in Alabama's property tax system affecting ad valorem tax receipts of the various taxing authorities and districts. Shelby County is not now a party to any such litigation that relates to ad valorem taxes levied by the County, as distinguished from litigation that relates to ad valorem taxes levied by counties generally. There can be no assurance, however, that other litigation concerning the Alabama property tax system in general, or that of Shelby County in particular, will not be initiated or resolved in such a manner as to affect adversely the levy or collection of ad valorem taxes by Shelby County.

Assessment and Collection

Ad valorem taxes on taxable properties, public utility properties, are assessed and collected by the Shelby County Revenue Commissioner. Ad valorem taxes on public utility properties are assessed by the State Department of Revenue and collected by the Shelby County Revenue Commissioner.

Ad Valorem Tax Collections

The Shelby County Revenue Commissioner has consistently collected a high percentage of ad valorem taxes due. The Revenue Commissioner estimates that in the last five Fiscal Years, the percentage of billings collected has not been less than 98%.