

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	March 21, 2022
Action Required:	Public Hearing
Presenter:	Michael C. Rogers, Interim City Manager Todd Divers, Commissioner of the Revenue
Staff Contacts:	Khristina Hammill, Sr. Budget and Management Analyst
Title:	Public Hearing on the FY 2023 Real Estate Tax Rate and Reduced Personal Property Tax Proposal

Background:

The Council meeting on March 21, 2022 marks the first of public hearing for the proposed real estate tax rate for the FY 2023 City Manager's Proposed Budget. The Interim City Manager will give a very quick overview of the budget prior to the public hearings.

A legal ad was published, as required, in the Daily Progress on February 18, 2022 (real estate tax levy). The ad was also posted on the **FY 2023 Budget Development** section of the following website: www.charlottesville.gov/budget.

Note: The public hearing on the proposed real estate tax rate must be opened/ conducted/ closed, BEFORE City Council opens/conducts a separate public hearing on the Proposed FY2023 Budget.

Discussion, Real Estate and other Tax Rates:

Real Estate Tax

The Equalized Tax Rate is \$0.8804/\$100 of assessed value. (*This rate is calculated as the rate of tax that would need to be applied to the current [increased] property assessments, in order to generate the same amount of tax revenues as in Tax Year 2021*). For purposes of the budget, the equalized rate of \$.8804/\$100 is the calculated rate that will keep the City's revenue from real estate taxes equal with last year. Although this is a lower rate, it is still possible that some individuals could see an increased tax bill solely on the basis of their individual reassessment. The proposed tax rate that has been advertised is \$1.05/ \$100, which is ten-cents-per-hundred (\$0.10/\$100) higher than the current tax rate of \$0.95/\$100 and \$0.1696 higher than the equalized rate of \$0.8804/\$100. A ten-cent rate increase would raise an additional \$9,207,167 in real estate tax revenue for FY2023 ("Additional RE Revenue").

Due to the property value increases that occurred as a result of the reassessment, the City Manager's Proposed Budget effectively is already raising an additional amount of "new" RE revenues for FY23 (an effective tax increase) even as it plans for the actual RE rate to remain the same.

The Additional RE Revenue is shown in the budget as an unallocated in the Citywide Non Departmental Reserve section of the budget. The purpose of “parking” this revenue in the reserve is to allow Council to work through the public hearing process and to determine whether there are any programs, positions, projects or undertakings that it wishes to fund for FY2023 that cannot be undertaken with the same amount of RE Revenue that would be generated by keeping the current tax rate of \$0.95/\$100. City Council is required to have this public hearing on the proposed RE tax rate separately from its Budget Public Hearing.

Meals Tax

Council also requested that staff advertise 0.5% meals tax increase which will also require a public hearing. The official public hearing for that increase will be held on April 4th and a notice will be placed in the Daily Progress no later than March 28,2022 to notify the public.

Personal Property Tax

The City’s Commissioner of Revenue has advised Council of a significant increase to the assessment values of personal property for the 2022 tax year. During previous discussions, the Commissioner advised that a recommendation of a lower rate for cars, trucks, and motorcycles would be presented to Council for consideration in order to help lower the significant increases that are anticipated for personal property tax bills. As part of this presentation, the Commissioner will make the rate recommendation to Council for consider. Because this is a recommendation to lower the tax rate, no public hearing notice or hearing is required. The City Manager’s Proposed Budget includes personal property tax revenue that anticipated Council would accept the recommendation to lower the rate. Should Council decide to keep the rate at the current \$4.20/\$100 assessed value, a new projection of additional revenue will be provided and would be available for Council to allocate for additional expenditures in the FY 23 adopted budget. Currently, the estimate of additional revenue that may be available by keeping the rate the same is approximately \$2 million dollars.

Next Steps for Council Decision

After City Council holds its Budget Public Hearing on April 4, 2022, City Council “may insert new items of expenditures or may increase, decrease or strike out items of expenditures” shown in the City Manager’s Proposed Budget. *See* City Charter, Section 19. If City Council chooses to insert new items of expenditures, then City Council will also need to designate a source of revenue to cover those expenditures, either (i) by increasing the RE tax above \$0.95/\$100, and moving some of the money out of the Reserve referenced above into a specific budget department, line item, or project, or (ii) by increasing some other tax revenue (meals, for example). Council’s vote on the various Tax Rates will be finalized immediately following its vote to approve a Budget for FY23. Procedurally: Council will first make a decision on what it wishes to fund within a final FY23 Budget, and then Council will vote to establish the tax rates necessary to raise sufficient revenues to fund the approved budget.

Community Engagement:

There are several remaining opportunities for the community to provide input into the budget. In addition, a few minutes are reserved at the end of each Budget Work session for public comment and input. The proposed budget document and materials for the budget work sessions are posted at www.charlottesville.gov/budget.



FY 2023 Budget Calendar Public Meetings

<u>Topic</u>	<u>Date</u>	<u>Time</u>	<u>Location</u>
Council Work Session <i>FY 2023 Budget – Outside and Non Profit Agencies</i>	March 17, 2022	6:00 PM	Zoom Webinar
First Budget and Tax Rate Public Hearing	March 21, 2022	6:30 PM	Zoom Webinar
Community Budget Forum	March 23, 2022	6:00 PM	Zoom Webinar
Council Work Session <i>FY 2023 Budget – Capital Improvement Program</i>	March 31, 2022	6:00 PM	Zoom Webinar
Second Public Hearing Budget/ First Reading Approval of Ordinance Approving FY 23 Budget and Annual Appropriation/First Reading Ordinance Approving Tax Rate/Tax Levy	April 4, 2022	6:30 PM	TBD
Council Work Session (if necessary) <i>FY 2023 Budget – Budget Wrap Up</i>	April 7, 2022	6:00 PM	TBD
Second Reading and Approval: FY 23 Budget Ordinance and Annual Appropriation and Tax Rate/Tax Levy Ordinance	April 12, 2022	5:30 PM	TBD

Alignment with City Council’s Vision and Strategic Plan:

The City Manager’s Proposed Budget aligns with Council’s Vision and FY 2018 – 2020 Strategic Plan which has been extended to 2023 and is detailed in the budget document.

Recommendation: Staff recommends that City Council, after completing the public hearing process, determine whether the proposed budget contains sufficient funds for the various operational needs and priority projects that City Council wishes the City government to undertake in FY2023. If not, see “Alternatives”, below.

Alternatives:

To the extent that City Council is willing to raise the Real Estate Tax rate anywhere from \$0.01/ \$100 to \$0.10/ \$100, raise the meals tax or reduce the personal property tax rate, City Council may—following the 4/4/2022 Budget Public Hearing—insert new items of expenditures or may increase, decrease or strike out items of expenditures.

Attachments: None