

The seal of the City of Richmond is a circular emblem. It features a central figure of a person standing on a pedestal, holding a staff or scepter. The figure is surrounded by a ring of stars. The outer border of the seal contains the text "CITY OF RICHMOND" at the top and "ESTABLISHED 1837" at the bottom. The seal is rendered in a light, semi-transparent grey color.

REALIGNING REAL ESTATE ASSESSMENTS AND BUDGET DEVELOPMENT

Presentation to the Organizational Development Standing Committee

Tuesday, January 3, 2023

PURPOSE

- Provide an overview of the current real estate assessment and budget development cycles.
- Discuss the issues of the misalignment.
- Provide a potential solution.
- Discuss next steps.



CURRENT ROLES AND RESPONSIBILITIES

Assessor

- Assesses real estate annually
- Issues assessment notices of property value
- Issues Land Book effective January 1

Administration

- Prepares annual budget
- Introduces budget in March
- Collects real estate tax in January and June

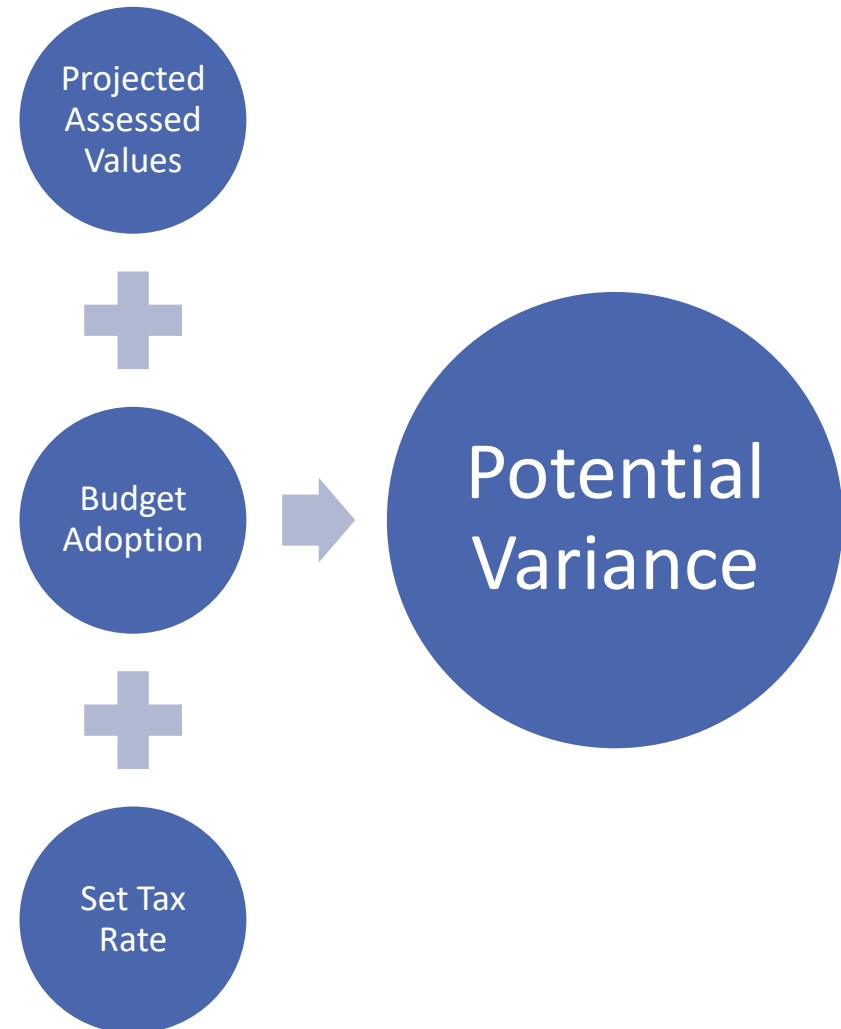
City Council

- Adopts budget in May
- Sets the real estate tax rate in November



WHAT ARE THE ISSUES?

- Budgets are based on projected assessed values.
- This means that budgets are adopted based on estimated reassessments, not reliable values.
- Tax rate is set well after the fiscal year has started.
- Results in large budget deficits or surpluses.
- Budget credibility is in question.



HOW DID WE GET HERE?

Prior to 1962:

Two collections (50% each) in June and December.

1966:

Changed to one collection at 100% in June.

2010:

Biennial assessment through January 1, 2012.

2012:

Return to annual assessment with two half bills in January and June.

1962:

Collection changed to 75% / 25% in June and December.

Late 1980s:

Tightening effects seen on cash availability. In 1987, the Unassigned General Fund balance was \$1.3 million and city's credit rating downgraded to AA- by S&P.

2011:

Reversed to two collections (50% each) in January and June.



WHAT ARE THE ISSUES?

Assessment Projection

- Provided for budget



Assessment Activity

- Bulk of assessment is done January through June



Tax Rate

- Real estate tax rate adopted 5-months after budget adoption



Market Activity

- Hottest months: June, July, and August



CURRENT: ASSESSOR PROVIDES A PROJECTION

	January	March	May	July	November
CY 2022	Tax Year 2022 Land Book Effective				
	FY 2022				
		Propose Budget	Adopt Budget	FY 2023	
					Set 2023 Tax Rate
CY 2023	Tax Year 2023 Land Book Effective				
	FY 2023				
		Propose Budget	Adopt Budget	FY 2024	
					Set 2024 Tax Rate
CY 2024	Tax Year 2024 Land Book Effective				
	FY 2024				
		Propose Budget	Adopt Budget	FY 2025	
					Set 2025 Tax Rate



WE ARE BOUND BY CODE AND CHARTER

	Code of Virginia	City Charter	City Code
Real estate tax: <i>Based on prior year's assessment or biennial assessment</i>	✓		
Fiscal year: <i>July 1 – June 30</i>		✓	
Tax year: <i>January 1 – December 31</i>		✓	
Assessment year: <i>January 1 – December 31</i>			✓

✓ = requires state approval

✓ = city has authority to change



HOW DO WE REALIGN THE CYCLE?

1

**Assessment will
move ahead of
budget.**

2

**Begin next
reassessment in
July.**

3

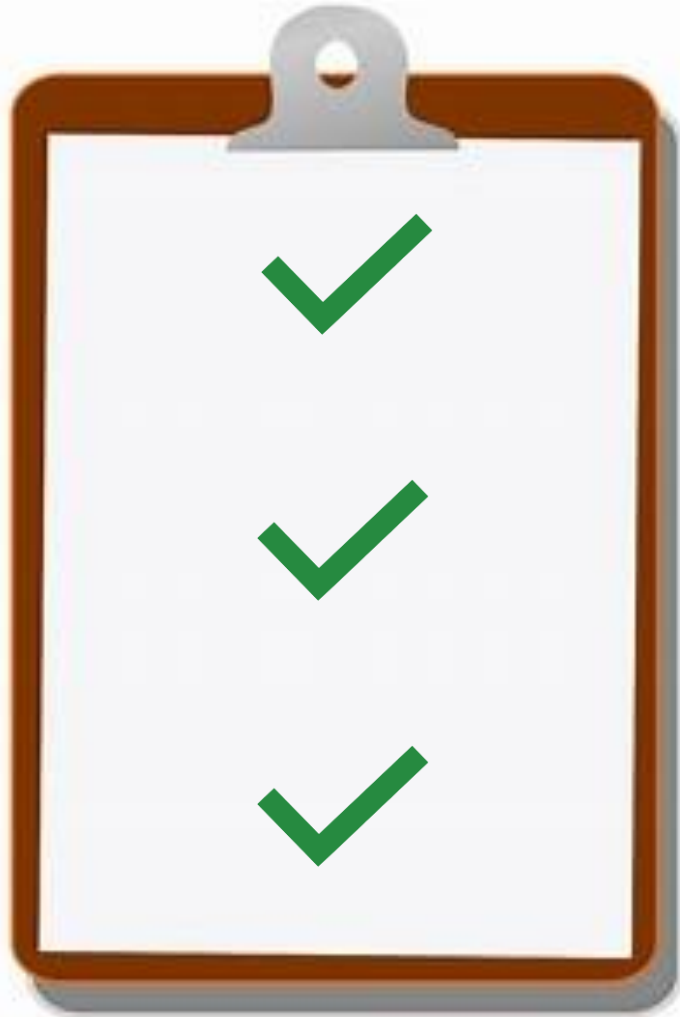
**Move to a Fiscal
Year assessment
cycle.**

CORRECTION: MOVE TO A FISCAL YEAR REASSESSMENT CYCLE

	January	March	May	July	November
CY 2023	Tax Year 2023 Land Book Effective – Move to Biennial Assessment				
	FY 2023			New Assessment Cycle Begins	
		Propose Budget	Adopt Budget	FY 2024	
			Set 2024 Tax Rate		
CY 2024	Biennial - Land Book				
	FY 2024			New Assessment Cycle Begins	
		Propose Budget	Adopt Budget	FY 2025	
			Set 2025 Tax Rate		
CY 2025	Tax Year 2025 Land Book Effective				
	FY 2025			New Assessment Cycle Begins	
		Propose Budget	Adopt Budget	FY 2026	
			Set 2026 Tax Rate		



WHAT ARE THE BENEFITS?



Achieves **fiscal cycle alignment** for better planning and decision-making.

Budgets based on **reliable and timely data**, not projections.

Council can review and adopt **tax rate and budget in tandem**.

NEXT STEPS

1. Assess technology needs.

- Determine the capability of the current assessment software to change effective date from January – December to July – June.
- If needed, delay changes until new software is implemented.

2. Revise city code by ordinances.

- Change to a one-time biennial assessment cycle.
- Change back to an annual assessment cycle.
- Change to a July – June effective assessment period.
- Revise tax rate adoption date.

3. Develop communication strategy and materials.



